

JPRS-CEA-84-107

26 December 1984

China Report

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

BRIEFS

MALAGASY TRADE DELEGATION--Beijing, 11 Nov (XINHUA)--Zhu Xuefan, vice-chairman of the Standing Committee of the Chinese National People's Congress, met here this afternoon with a delegation from the Federation of Workers' Unions of Madagascar led by its chairman, Ralambotahiana Desire. Present at the meeting was vice-president of the All-China Federation of Trade Unions, Jiang Yi. The delegation arrived in Beijing on November 1 at the invitation of the All-China Federation of Trade Unions. [Text] [Beijing XINHUA in English 1431 GMT 11 Nov 84]

CSO: 4020/47

PROVINCIAL AFFAIRS

HEILONGJIANG GOVERNOR SPEAKS ON REFORM, OPEN-DOOR POLICY

SK100211 Harbin HEILONGJIANG RIBAO in Chinese 20 Sep 84 pp 1, 2

[Speech by Governor Chen Lei: "Further Emancipate the Mind and Penetratingly Carry Out Reform and Open-Door Policy"; delivered at the Third Plenary Session of the Heilongjiang Provincial People's Government on 18 September 1984]

[Text]

I

Since the 3d Plenary Session of the 11th CPC Central Committee, our province, under the guidance of the correct lines, principles, and policies of the CPC Central Committee, has ceaselessly upgraded the understanding about and made development in the work of economic system reform and opening to the outside world. Especially since last October the province carried out the guidelines of the 2d Plenary Session of the 12th CPC Central Committee and comprehensively carried out the party rectification, thus achieving rapid development in reform. On the basis of studying the document on and upgrading the understanding about party rectification, the provincial CPC committee and the provincial government summed up our rural areas' experience and lessons gained in carrying out the system of contracted responsibility on the household basis with payment linked to output and further sorted out the "leftist" influence existing in the economic work. At the provincial planning session held last December, the provincial CPC committee and the provincial government put forward a guiding ideology of emancipating the mind, relaxing the policy restraint, enlivening the economy, raising the economic results and creating a new situation in the economic work. In order to create a new situation in our province's economic work the provincial government plenary session, the provincial economic work conference and the provincial rural work conference, that were successively held at the beginning of this year, regarded further emancipating the mind, carrying out the economic system reform, and opening to the outside world as key contents and made concrete plans for them. In the course of relaying and implementing the guidelines of the Second Session of the Sixth NPC this June, the provincial CPC committee held the third enlarged plenary session of the fifth provincial CPC committee and defined an economic development strategy policy on "carrying out system reform and technological transformation, and opening to the other provinces and foreign countries so as to make the country and the people rich," in line with the guidelines of the sayings "attending to such

two great events as system reform and opening to the outside world in the future economic work" that were pointed out in Premier Zhao Ziyang's "Government Work Report." In accordance with our province's natural resources and advantages of technology, the province decided to vigorously develop agriculture, timber, coal, oil, and machinery. The people throughout the province have a unified understanding about and defined the goal for making progress.

With regard to the economic system reform, since the beginning of this year, we have made new progress in both rural and urban reforms. The comprehensive implementation of the system of contracted responsibility on the household basis with payment linked to output has forcefully promoted the development of agricultural output. The total grain output this year is estimated to reach 35 billion jin or more. Expedited by the rural economic reform, the pace of urban economic system reform has been accelerated. The orientation of urban economic system reform has been changed from the single-item reform and the reform in a certain field in the past to the overall reforms. A good situation in urban reform has emerged. The main achievements signs of in urban reform are as follows: [sentence as published]

1) We have reformed the management ways and the enterprises have been energized. Since the beginning of this year, on the basis of transferring decisionmaking power to some small enterprises last year, the provincial government has successively readjusted the policies twice to further expand the decisionmaking power of the state-owned small enterprises. The output value of the 796 industrial enterprises, that have been transferred decision-making power, in the first half of this year increased by 11.5 percent over the same 1983 period. These enterprises turned losses totaling 8.15 million yuan in the first half of 1983 to 3.24 million yuan of profits. The income of the 1,977 catering and service centers, that have been transferred decisionmaking power, in the first half of this year increased by 317,000 yuan over the same 1983 period. These enterprises earned 2.91 million yuan of profits, showing an increase of over 300 percent over the same 1983 period.

2) We have simplified administrative procedures and delegated powers to lower levels, thus giving more decisionmaking power to enterprises and enliven the economy. We held a forum in the first half of this year on "untying the bonds" of enterprises and transferring power to them. We gave much heed to enterprises' opinions and requests concerning the transfer of power, and all departments under the direct control of the province also actively formulated plans to "untie bonds" and transfer power. The provincial government also issued documents on simplifying administrative procedures and delegating powers to lower levels. Administrative power over 98 industrial, communications, and building material enterprises (accounting for 62 percent of the total) which had been under the direct control of the province was transferred to cities and counties. Administrative power over other enterprises which should be delegated to lower levels will also be done in stages and groups. Commercial stations at the second level, which had been under the direct control of the province, were all put under the administration of the four central cities--Harbin, Qiqihar, Mudangjiang and

Jiamusi--and were incorporated with city companies to become wholesale companies. In line with the CPC Central Committee and the State Council's "Circular on Successfully Experimenting With the Leadership System at State Industrial Enterprises," we selected 50 state enterprises of our province to try out the system of having directors (managers) assume full responsibility. Although the experiment was carried out for only about 2 months, great changes have taken place in the outlook of enterprises. The phenomena of party and government responsibilities not being clearly distinguished, duties and powers not separated and nobody taking the responsibility began to change, the building of enterprise leading bodies was promoted, enterprise reform expedited, and enterprise quality and economic results improved.

3) We have promoted the various forms of the economic responsibility system, thus fully arousing the enthusiasm of staff members and workers. Learning from the experiences in instituting the output-related contract responsibility system in rural areas, we have regarded "contracts" as the core of the economic responsibility system in reforming the urban economic system, and implement it at enterprises, workshops, teams, individuals and every link of economic activities. At present, the system of assigning every level production targets on a contract basis and giving pay according to output, quality, consumption, and profit has been popularized at enterprises. A bonus is issued without setting the maximum or the minimum amount, and is taxed when exceeding a fixed quota. In this way, the worker's pay is closely linked with the management of the enterprise and his individual contributions, thus further implementing the principle of distribution according to work and initially changing the situation of eating from the "common big pot." In the first half of this year, the growth speed and benefit of the enterprises covered by the provincial budget increased at the same pace. Compared with the same period last year, their output value grew by 14.8 percent and their profit turned over to the state by 53.8 percent.

4) We have reformed the wholesale structure and, through this promoted reform of the entire circulation system. In view of the contradiction between production and marketing and blocked circulation, we have conducted a series of reforms of the commodity circulation system over the past few years. For example, we have reformed management methods, relaxed purchasing and marketing policies, and unclogged commodity circulation channels. Since the beginning of this year, we have accelerated the reform of the circulation system. Changing the separated "second (stations), third (stations) and retail (outlets)" levels, we have combined urban second- and third-level stations and established trade centers, thus advancing toward the open, multi-channel wholesale system with fewer intermediate links. As of now, 19 trade centers have been established by commercial departments alone. Breaking the barriers between urban and rural areas and between departments, these trade centers have enjoyed brisk sales and have played an important role in promoting production and making markets flourish. In order to find ways to reform large and medium-sized commercial enterprises, we have also selected five large stores in Harbin, Qiqihar, Mudanjiang and Jiamusi cities to experiment with the reform in the "Southern Mansion" style, and the result is also very good.

5) We have also made a good start in conducting reforms among building enterprises. To change the long-standing phenomena of the enterprises in charge of capital construction, such as excess building operation, excess waste, high costs, and backward technology, our province has enforced the system of public bidding on a trial basis in the cities of Harbin, Qiqihar, Mudanjiang, and Jiamusi since 1984 while conducting the contract system of investment in order to break the monopoly of the departments and localities, to open the building market to the public, to select the best building units, to shorten construction periods, and to lower costs. The province has also conducted simultaneous reforms on a trial basis in the system of material and fund supplies for the capital construction front of some localities in order to create conditions for shortening construction periods, upgrading work quality, and lowering costs. It has generally enforced the economic responsibility system centering on a percentage of the per-100-yuan output value and has achieved better results in improving the egalitarianism in distribution of enterprises and giving full scope to the enthusiasm of staff members and workers.

6) We have accelerated the pace of conducting reforms in the organizational and product structures of industrial enterprises by enforcing industrial reorganization and amalgamation. Since 1984, the province has organized the departments concerned to successively conduct reorganization and amalgamation among the machine-building industry, light industry, the electronic industry, the textile industry, the metallurgical industry, the chemical industry, and second light industry in line with the rational principle of the economy and the demands of socialized large-scale production. To date, the province has set up 550 economic associations, 45 enterprises of which were reorganized and amalgamated in order to develop "first" products and to strive to create famous trademarks and fine quality goods. The reorganization and amalgamation of enterprises have not only improved the irrational situation of creating barriers between different departments and regions, upgraded the standard of specialized technique, and developed a large number of products enjoying brisk sales, but also have generally promoted the increase of economic returns.

In enforcing the open-door policy since 1984, the province has also done a great deal of work and scored better achievements.

1) We have achieved great developments in foreign trade. In the January-July period this year, the province showed a 45.9-percent increase in commodity export over the figure of the corresponding 1983 period, and a 28-percent increase in the procurement of export commodities over the figure of the corresponding 1983 period. In the same period, the province lowered its annual losses in this regard by 72.6 percent. Since 1984, in order to expand its export markets, the province has received 351 outside trade groups and 726 outside businessmen who came to our province for trade talks. Our province also formed "The PRC's Trade Fair" sponsored by the China Council for Promotion of International Trade at Edmonton city, Alberta Province, Canada, and held an export trade fair in Hong Kong, resulting in establishment of relationship with a large number of new overseas clients.

2) We have further expanded the scale of economic and technological cooperation with foreign countries. We have also achieved new development in conducting production and technological cooperation with Yugoslavia, Romania, and others; in supporting enterprises to conduct technical renovations by utilizing foreign exchanges and outside loans and investments; in carrying out the programs of giving economic aid to foreign countries; and in doing a good job in signing contracts on building projects with foreign countries and on labor export. In order to further develop and expand economic and technological cooperation with foreign countries and to accelerate exchanges of information, last April, our province established the "Harbin-Hong Kong Ltd Company" in Hong Kong in charge with responsibility for advisory work on development, and the joint venture "Longguang Industrial Ltd Company" in Hong Kong. It also plans to establish a trade center in the Shenzhen Special Economic Zone and a Heilongjiang Department in the China Export and Import Corporation in New York, the United States, so as to set up a provincial "window" of information and foster economic and technical cooperation with foreign countries, and to lay a bridge of establishing economic and technical cooperation with Southeast Asian and Pacific regions.

3) We have also achieved new development in conducting foreign affairs and tourist business and accumulated lots of good experience gained in this regard.

4) We have also made new breakthroughs in the economic and technical cooperation with other provinces of the country. Last June, we attended a meeting sponsored by the Liaoning Provincial Government to discuss the joint efforts in building the Dalian Development Zone, and decided to set up a provincial government office and a trade center there. According to preliminary discussions, our province will cooperate with foreign plants and businessmen in 40 projects in industrial, commercial, and service trades, which will serve as a new "window" in our opening to the outside world and importation of foreign advanced technologies and funds. In July, we once again attended the first economic and technical cooperation meeting sponsored by the provinces in northeast China to discuss the problems concerning the strengthening of the economic and technical cooperation in northeast China and signed 96 contracts on economic and technical cooperation. At the same time, we increased the mutual visits and contacts with some provinces and regions in northwest and southwest China and Beijing, Tianjin, and Shanghai municipalities, thus promoting cooperation with them.

II

The above-mentioned situation shows that we have scored fairly great achievements in reform and opening to the outside world. We should remain clear-headed, however, to understand that this is only a good beginning, and that we must never be satisfied with the status quo. Our future tasks are still very heavy and arduous. Now I will offer some opinions on further emancipating the mind to promote reform and the open-door policy.

1) We should further emancipate our minds and conscientiously study and solve the new situations and new problems arising in the course of reform and opening to the outside world.

It is a current major trend that everybody is thinking about reform and opening to the outside world. Reviewing the actual situation in the recent reform and opening to the outside world, we have come to understand that we should properly solve all the problems in ideology and practical work, otherwise the progress of reform and opening to the outside world will be impeded. Comparatively speaking, however, it is more important to solve ideological problems. At present, some comrades are still clinging to the outdated methods of thinking and working and old rules and regulations. For example, some comrades fail to adapt themselves to the simplification of administrative procedures and the delegation of powers to lower levels; some dare not use people of virtue and ability, feeling jealous of them; some are still used to egalitarianism in distribution and dare not handsomely award those making special contributions or increase their pay; some always like monopoly of operation instead of cooperation, and even want to withdraw from the associations they have joined; some dare not break the barriers between urban and rural areas, between higher and lower levels, and between different departments and regions, and even try to stop long-distance transportation of goods for sales and limit the development of the individual economy; in revenue and tax collection, some do not conduct sufficient study of ways to make, accumulate and handle money, and often ignore the loss of a great profit and begrudge losing a small profit; some dare not give preferential provisions to foreign businessmen when implementing the open-door policy, nor implement special policies in poverty-stricken border counties; and so forth. Therefore, we can see that to enhance the cadres' understanding of reform and opening to the outside world is an important task. To reform and open to the outside world, such old ideas and thinking must be changed. Without true emancipation of the mind, there will be no smooth progress of reform and opening to the outside world, nor any advance in our undertakings. In order to solve ideological problems, we should first further emancipate our minds and then correctly understand and handle the relations in the following aspects:

A. Correctly understand and handle the relations between reform and delegating power to lower levels. In the course of reforming the economic system, we must simplify administrative procedures and delegate power to lower levels. Through simplifying administrative procedures and delegating power to lower levels, enterprises will be delegated due power and become relative and independent economic entities in social production. Simplifying administrative procedures and delegating power to lower levels is a great reform. At present, some units fail to have a correct understanding of the significance of simplifying administrative procedures and delegating power to lower levels. They only ask higher levels to delegate power to them and they even scramble for power with higher levels with a view to expanding their own power instead of delegating power to enterprises. It is obvious that we must delegate power to lower levels in order to conduct reform. Delegating power to lower levels does not mean redistribution and transfer of power between higher-level organs, but means that truly delegating power to the enterprises and giving more management and operational power to the enterprises so as to energize and expedite the enterprises and to turn enterprises' "ill management" into "good management." Only by doing so can we correctly handle the relations between reform and delegating power

to the lower levels and attain the goal for delegating power to lower levels.

B. Correctly handle the relations between the part and the whole in the course of reform. In order to carry out the economic system reform well, we must handle the relations between the part and the whole well. We must take the whole situation into consideration. If individuals only fight for their own benefits, we will lose the whole of economic construction, and the deep development of economic reform will be prevented. We stress taking the whole situation into consideration, but should never neglect the situation in certain fields. We center on the combination of the interests of the part and the whole. We must persistently attend to the macroeconomy, open and enliven the microeconomy, and promote their coordinated development and a virtuous circle of national economy through reform. On the premise of submitting to and serving the party's general goal and task for modernization, we must respect the interests of the part and vividly and lively conduct the work of the part. This is one of the signs in examining whether or not we make achievements in the economic system reform.

C. Correctly understand and handle the relations between the current economic system reform and the strategy for realizing economic development. Economic system reform is a great systematic project. In conducting economic system reform, we must have a correct guiding ideology and an overall plan of reform. At present, some units only consider their present interests to the neglect of long-term interests in conducting reform. They do not attend to technological transformation or technological importation. A situation of the enterprises making investments in additional equipment has emerged. They only pay attention to their present production and increases in the income of staff and workers but ignore long-term plans and the "conservation of strength" for making progress in the economy. Some units fail to have a clear understanding about their own advantages and are confused over their own orientation toward development. Therefore, they only conduct reform in a bit-by-bit manner and in certain fields and even then they conduct reform in the manner of "plugging a hole." Some units cannot work out concrete methods for reform in line with their own actual conditions although they are inspired and have high enthusiasm for reform. The basic reason for these problems is that they lack an economic strategy. The reform will be a blind one without an economic development strategy and will achieve no results without any goals. Our province is organizing forces to make a study of the provincial social economic development strategy. In line with the advantages of natural resources and products, all localities and departments should work out a strategic plan for reform. In working out the plan, we must take the whole situation into consideration and take a long-term view so as to give the present reform long-term vitality.

D. Correctly understand and handle the relations between economic system reform and the open-door policy. To open to the outside world is an important strategic policy decision aiming at expediting China's socialist modernization. We have done a great amount of work in this field and achieved fairly good results. Generally speaking, however, we still need further emancipated minds, more effective measures and bigger strides of

advance. Opening to the outside world is itself an important reform, which requires us to overcome the idea of closed, small-scale farming by individual owners and the past old style, traditional way of operation, and learn to do business with foreigners. We should open our door wide, import from and do business and cooperate with as many foreign countries as possible, and fully develop our advantages in strategic position, resources and technology. On the basis of self-reliance, equality and mutual benefit, opening our door wide to foreign countries will increase our self-reliance, promote the development of our province's productive forces, help maintain steady economic growth, and will also be conducive to the progress of the economic system reform. We should pay close attention to reform and opening to the outside world, and make them promote each other and develop side by side.

E. Correctly understand and handle the relations between the economic system reform and the ideological and political work. The economic system reform is a wide and profound revolution, in which the people are unprecedentedly active in thinking and will express their various kinds of ideas. Therefore, it is necessary to strengthen political and ideological work. Political work is the lifeline of all economic work. We must never neglect the tremendous role of politics in the economy. Divorced from the party leadership and political and ideological work, our reform will be hindered and go astray. Successful political and ideological work means we should organize the masses of staff members and workers to conscientiously study the party's instructions on economic system reform, clearly understand the significance and purpose of reform and steel their confidence in reform. It means we should support the masses in their efforts to break away from the traditional ideas which hinder reform and the rules and regulations which impedes the development of productive forces, and to blaze new trails of reform. It also means that we should educate the masses of cadres and the people with communist, patriotic and collective ideas and ensure the smooth progress of reform and a success in production. Of course, political and ideological work should also be improved. We should overcome our past practice of separating political work from economic work like we do "two layers of skin."

2) We should earnestly attend to the implementation of the measures for reform and continuously promote reform.

Great achievements have been scored in rural reform of our province and breakthroughs have been made in many fields of urban reform. We should note, however, that many of the reform measures that we decided on have not been put into effect, some of the achievements in reform have not been consolidated and the foundation is still not solid. For this reason, reform should be deepened. From our experiences, we can see that reform, either in rural or in urban areas, should be carried out with focus on "contracts" and "transformation." We should probe bravely to find a new road for reform.

A. Efforts should be made to continuously do a good job in conducting reforms on the agricultural front and promote the development of the

commodity economy. The agricultural front should deeply implement the No 1 Document of the central authorities and continuously deepen the drive to conduct reforms by proceeding from the creation of favorable conditions for developing natural agricultural resources in an overall way, for improving the ecological surroundings of agriculture in an all-round manner, for totally enlivening the commodity economy in rural areas, for totally unclogging the channel of commodity circulation, and for totally increasing economic returns. On the basis of further improving the household output-related system of contracted responsibility, rural areas should concentrate on doing a good job in improving agricultural structure and making new arrangements for industrial structure. A good job should be done in readjusting the structure of sowing undertakings, stabilizing the acreage of grain crops, and in expanding as much as possible the sown area of rice, wheat, and cash crops such as beet, flax, and flue-cured tobacco. Efforts should be made to actively develop forestry, animal husbandry, fishery, and township- and town-run industries so as to achieve overall development among agriculture, forestry, animal husbandry, sideline production, and fishery; to have industries cause improvement in agriculture; and to make every industry prosperous. We should organize peasants to turn grains into meat, milk, chicken, and eggs in a planned manner so as to meet the daily increasing need of the people's livelihood. We should actively guide peasants to join the circle of commodity circulation and to master the skills of being commodity producers and dealers. Efforts should be made to make full use of farm and sideline products in turning out various foodstuffs, wine, and soft drinks so as to saturate the demands of both urban and rural markets. The province's proportion of mountainous areas is large and they are endowed with abundant natural resources. However, the life of the people in these areas is relatively difficult. We should provide them with the necessary support in the fields of policy, funds, and materials so as to have them become wealthy as soon as possible.

B. Efforts should be made to continuously simplify administration and to further grant enterprise management power to lower levels, and a good job should be done in conducting reforms in the managerial systems of enterprises. The provincial CPC committee and people's government have decided that, except for enterprises under the coal industry department, the metallurgical department, the sugar refining company, and the pharmaceutical company, as well as other specific enterprises, all others may be administered gradually by their key cities. This is an important breakthrough in simplifying administration and granting enterprise management power to lower levels. Success in this regard, which involves transformation work in all social circles, will certainly exert a far-reaching influence on improving the province's low speed of industrial development, the low quality of enterprises, and poor economic returns. In line with the demands set forth by the provincial CPC committee and the provincial people's government on granting enterprise management power to lower levels, various provincial level industrial departments, bureaus, and companies as well as cities and counties concerned should actively conduct consultations, map out concrete measures for handing over managerial power to lower levels, and should have all enterprises that should be administered by lower levels transfer their subordinate relation to lower levels by the end of this year.

We should take a simultaneous action in granting enterprise management power to lower levels and granting more rights to enterprises and should have the granted rights truly performed by enterprises. Efforts should be made to truly expand rights that can be expanded among enterprises. We should take a simultaneous action in granting enterprise management power to lower levels and conducting enterprise reorganization and amalgamation which should be aimed at creating favorable conditions for building state key projects and developing fine quality and famous trademark products. Efforts should be made to set up a production network among enterprises and companies engaged in substantive or seasonal production and at scattered areas, and to establish production coordination among those for which it is suitable. We should be determined to break the bonds between departments and regions, to expand economic contact from top to bottom and among the same-level units, and to bring into full play the role of backbone enterprises so as to improve the development of local industries.

C. Efforts should be made to conduct reforms in managerial style and to totally enliven state small industrial and commercial enterprises by giving them a free hand in enforcing contract systems. Giving a free hand to small enterprises represents an important measure of enlivening enterprises. Organs at all levels and various departments should by no means relax their efforts to give a free hand to small enterprises and must do a good job in grasping the work. We should step up the work among those that have not been given the power of self-determination. The method of granting the power of self-determination to enterprises should be based on proceeding from reality and by no means should we seek uniformity in conducting the work. Those who have enjoyed a free hand in business should truly enjoy their power of self-determination. By no means should we enforce the system of being semiopen and a semimonopoly. We should truly allow enterprises to select cadres themselves, to conduct management independently, to carry out distribution independently, to be responsible for profits and losses, and to fully enjoy the power of self-determination. We should also strengthen guidance over and service to production management among enterprises that have enjoyed a free hand in business and should help them establish or improve various managerial systems, earnestly implement various policies, and uphold socialist orientation in management so as to truly enliven small enterprises.

D. We should invigorate large and medium-sized enterprises and arouse the enthusiasm of enterprises and their staff and workers more successfully. One of the important methods to invigorate large and medium-sized enterprises is to establish the economic responsibility system at enterprises. This is the key link in enterprise reform. No matter what forms of the economic responsibility system we are popularizing and improving at enterprises, we should focus on "contracts," define responsibility at every level, interrelate responsibility, power, and profit to each other, and give due consideration to the interest of the state, the collective, and the individual so as to invigorate enterprises. Industrial enterprises should put efforts in both the institution of the economic responsibility system and in overall quality control and economic accounting, and determine the wages of staff and workers according to the management of the enterprises

and the contributions of individuals. In line with their specific conditions, all cities may select some large and medium-sized enterprises to experiment with the system under which the total amount of wages will rise according to the increase of the profit turned over to the state, and only the proportion of wages, not the absolute figure of wages, will be put under control. Large and medium-sized enterprises shoulder heavy tasks of technical transformation but they lack funds. Departments in charge of enterprises and financial and tax departments should study the issue of yielding profit to enterprises. They can select some units to try it out. The purpose of yielding profit is to earn great profit with small capital so as to invigorate enterprises. Commercial enterprises should assign profit and sales targets and responsibility to every level on a contract basis. Those assigned should be responsible not only for economic results but also for social results, and the profit targets of enterprises should be fixed according to their results in protecting the interest of consumers and improving services. Sales clerks should be rewarded or punished according to their sales and service. The wage system of fixing the amount of wages for every 100 yuan of sale should be extensively experimented with at pilot units. All localities and departments should conduct earnest inspection of enterprises' implementation of the economic responsibility system, sum up advanced experiences, and conscientiously solve existing problems.

E. We should successfully experiment with the system of having plant directors (managers) assume full responsibility so as to lay a solid foundation for overall implementation of the system. The purpose of this system is to solve the problem of nobody taking responsibility, which is, in fact, a problem of directors having no right, no ability, and no way to take responsibility. Solution to this problem is the key to industrial reform and, furthermore, to the reform of the entire industrial economic management system. All localities and departments should enhance understanding, unify thinking, strengthen leadership over the experimental work, and make a success of it. Offices of leading groups for the experiment should step up efforts, organize the leading bodies of the pilot enterprises by the end of September, gain some experiences in October, and sum them up at the end of this year. In the experiment, we should first mobilize the people ideologically and unify their thinking so as to lay a solid ideological foundation for the experiment. Second, we should grasp the key link--successful designation of directors (managers) and successfully "forming a cabinet" by directors (managers). In implementing the system of having directors (managers) assume full responsibility, directors (managers) should select cadres of virtue and ability in line with the four requirements when they are "forming a cabinet." We should pay attention to integrating the centralized, unified command by directors with the management by workers so as to realize the unification of democracy and centralism. This is a matter bearing on the orientation of enterprise reform and also an important indicator of socialist enterprises. When instituting the system of having directors (managers) assume full responsibility, we should also formulate detailed rules and regulations for directors, party committees, trade unions, and workers congresses to follow. All the above-mentioned work should be carried out successfully. Third, the experiment of enterprises should be conducted under the leadership of their party

committees, which should be the designers, organizers, and propagandists of the experimental work. What should be pointed out particularly is that, after the institution of this system, the tasks of enterprise party committees will not become lighter, but will be more important. They should attend to the organizational and ideological building of the party, successfully carry out political and ideological work and the mass work, implement the party's line, master the party's principles and policies, and supervise the implementation of them.

F. We should further reform the administrative system of the building and capital construction industries and increase returns in investment. Over the past few years, our provincial capital construction front has conscientiously implemented the principle of readjustment, restructuring, reorganization, and upgrading and we have scored fairly good results in the system reform of the building, capital construction, and rural construction industries. Our work in these fields is rather weak and we must vigorously intensify it. In reforming the building industry, we should thoroughly solve the problems of the two "big common pots," and strive to realize the goal of high efficiency, good quality and economic results, and great prestige. We should reform the planning and administrative systems, actively promote the systems of investment responsibility and of public bidding, open market for the building industry, break the barriers between departments and regions where market information is blockaded, organize specialized production in cities (or districts), share out the work and cooperate with one another, establish companies of various characteristics and expertise to contract various projects, and form an organizational system that integrates the management of various trades between cities and the countryside. We should also reform the material supply system of the capital construction front, and allow the supply departments to directly supply materials and necessary equipment to construction enterprises. The distribution system should also be reformed. The building and the urban construction enterprises should comprehensively implement contracts of fixing the amount of wages for every 100 yuan's worth of finished work and of fixing the amount of wages for every 100 yuan's worth of assigned jobs in order to closely integrate the income of enterprises and workers with economic results as well as with their responsibilities, rights, and profits. We should reform the operational system, establish and improve the various economic contract responsibility systems, encourage construction teams, collectives, and individuals to contract projects, and change the single mode of production to both production and operation. In carrying out scientific research and designing work of the building industry, we should sign contracts with user organizations that list remunerations and introduce the contract system in various projects, establish a coordinated system that combines scientific research, design, operation, and production together, organize and manage production with advanced production techniques and scientific management methods, and strive to enable our province's building industry to end the present backward and passive situation and to catch up with the domestic advanced level.

G. We should realistically attend to the second stage of the reform of replacing profit delivery with taxation. With regard to the second stage of

taxation reform, the state has formulated policies which will be comprehensively carried out on 1 October this year. This is an important policy decision involving many areas of work. We should enhance our understanding, strengthen leadership, maintain close cooperation among various departments, fully display the role of financial and taxation departments, and do a good job in this field. Through the second step of tax reform, we should further improve the distribution relationship between the state and enterprises, help enterprises improve the various forms of the economic responsibility system, break with the practice of the two "big common pots," realistically give great vitality, pressure, and impetus to enterprises, stimulate cities to reform the economic system, promote a fundamental turn for the better in the financial and economic situation, strive to largely increase this year's financial revenue, and lay a good foundation for sustained development in next year's provincial economy.

H. We should strengthen reform and establishment of urban commercial centers, form new commodity circulation networks, and strive to enliven circulation. While establishing urban commercial centers, we should gradually and comprehensively reform the administrative system. The future work should be concentrated on thoroughly reforming the outdated operational methods, attend to the supplementary reform work and strive to achieve improvements. These trade centers should be operated with more autonomy by breaking the barriers of multi-tiered wholesale units, and regions and trades so that any individuals or units, state- or collective-owned, of any trades, industry, agriculture or commerce, from any places, north or south, in and outside the province, can come to do business, wholesale or retail, at the trade centers as long as they have business licenses and have gone through legal procedures. These trade centers should also adopt measures to make operations flexible. They should change the past bureaucratic business method of having lower-level units sell anything the higher authorities allocate them and, in addition to doing business of their own, may cooperate with others in business or marketing and may purchase, market, store, transport or process goods for others on a commission basis. In this way, they are doing business in wholesale or retail of large or small amounts of goods in spots or futures for themselves and for others. Prices should be fixed flexibly and the past practice of giving a fixed percentage of discount should be changed. On the basis of fixed wholesale prices, the prices of commodities may be fixed through negotiation according to quantity, quality, specifications and changing seasons so that the price can fully perform its function as an economic lever. Trade centers should render extensive services by offering good trade conditions and board and lodging, communications, transportation, storage and other services. They should also intensify the collection and comprehensive analysis of trade information, strengthen market forecasting, provide a trade information consulting service, and do a good job in exchanging information and giving guidance so that they can fully perform their function of invigorating circulation and promoting production.

I. We should accelerate scientific and technological reform and promote the economy. In scientific and technological reform, we should conscientiously implement the strategic policy of "relying on science and technology in

economic construction and gearing science and technology to economic construction," actively reform the scientific and technological management system, further relax policies and enliven scientific and technological work so that science and technology can better serve economic construction. We should carry out the principle of linking scientific research with economic results, gradually turn scientific research findings into commodities and change them into productive forces. Experiment with the reform of the system of scientific research units should be actively promoted at pilot units. Research units engaged in applying and developing science should be turned from pure institutes which rely on the state in supply of funds and yield no economic results into enterprise-like units which regard scientific research as their major work, improvement of economic results as their central task, business as a means and service as their purpose, and which yield results and train talented personnel. The systems of scientific research funds and of paid utilization of the scientific and technological funds of the three categories should be put into effect, and more channels for the supply of scientific and technological funds should be opened so that scientific research units can gradually attain financial self-reliance in 5 years through contracts with user organizations that list remunerations and contracts for internal research jobs. Beginning with 1985, all scientific research units engaged in developing and applying technology should have their operating expenses reduced every year by a certain percentage on the basis of the 1984 figures so that they will be pressed to gear their work to the needs of economic construction and enliven their work. Scientific research units should be given more autonomy and their directors should assume full responsibility, having the power to use the best qualified personnel through open invitation, to refuse to use incompetent personnel and to transfer and adjust scientific and technical personnel. We should open wide the doors of research and production units, give full play to the role of universities, large plants and large research institutes, actively promote the reasonable flow of scientific and technical personnel, allow the personnel making greater contributions to become rich first, and permit and encourage the scientific and technical personnel of universities and research institutes who have managerial ability to establish companies or enterprises. We should have the courage to use well-trained scientific and technical personnel. As long as they are qualified, those who are only 30 years old may also serve as professors or researchers. We should arouse the enthusiasm of scientific and technical personnel with various methods so that they can make contributions to the development of Heilongjiang.

1. A good job should be done in grasping the pilot work of conducting reforms in economic systems among key cities and counties. In order to obtain experience for guiding overall transformations, the provincial CPC committee and the provincial people's government have decided to assign Harbin and Mudanjiang cities and Qinggang and Hailun Counties to take up the pilot work of conducting comprehensive reforms in economic systems. In addition, every prefecture should also assign one or two counties to assume responsibility for this pilot work. Various localities should vigorously grasp the work by dispatching able cadres to units that have taken up the pilot work to help them map out plans for conducting comprehensive reforms in economic systems. Judging from the accumulated experience, the success

of conducting comprehensive reforms lies in doing a great deal of painstaking work. The most important principle for the work is that only by proceeding from reality and by achieving results and setting up our own characteristics and experience in the course of transformations can we fulfill the target of the pilot work. To make success in conducting comprehensive pilot work, not only should the cities and counties that have taken up the pilot work actively do a good job in conducting the work, but also the provincial level departments concerned should vigorously support them.

On the basis of deeply and successfully implementing the fixed tasks of conducting reforms, efforts should also be made to find out new tasks and to pay attention to conducting reforms in the systems of planning, material supply, labor, wages, and prices, to the major issues of how to spur consumption and how to organize social financial resources, and to gradually deepening the drive of conducting reforms.

3) We should give full scope to our superiority and accelerate the pace of enforcing the open-door policy.

Our province is an important base of agricultural and industrial production in the country and is endowed with abundant natural resources. However, we should not only pay attention to the need to renovate a large number of old enterprises in the province in technology, but also to accepting the challenge of new technology in a timely manner. Therefore, our guiding ideology of enforcing the open-door policy is to implement the policy on a broader scale instead of retreating from it. We should further emancipate our mind, boldly engage in work, actively introduce outside funds, technology, equipment, and experts, accelerate the pace of enforcing the open-door policy, enhance economic strength, and should push forward the province's program of economic construction.

A. Proceeding from the superiority of its natural resources, our province should define the strategic target and emphasis of economic cooperation with outside units and should create favorable conditions for enforcing the open-door policy. The provincial CPC committee and the provincial people's government have decided that efforts should be made to vigorously conduct development and enforce the open-door policy in the five fields of agriculture, timber, coal, oil, and machine-building. This means that we should develop agriculture and industries whose raw materials are farm products; vigorously develop the industries of foodstuffs, fodder, and textile so as to accelerate the pace of turning grains into other commodities; vigorously carry out the comprehensive utilization of timber by vigorously developing high-class furniture, fiberboard, fine woodboard, plywood, pulp, and various wooden semiproducts so as to upgrade the roughing process into a fine one; actively develop the coal industry, the comprehensive utilization of coal, the local coal industry, dressed coal, the coking of coal, gas production, and the use of coal in thermal power production so as to realize the transformation of energy resources; to a good job in setting up cooperation in drilling oil and developing the petrochemical industry, and in developing the chemical industry, the plastic industry, and the chemical fiber industry by making use of the crude oil and the 300,000 tons of ethylene turned

out by Daqing city; and should develop the machine-building industry by fully utilizing the province's abundant foundation of the machine-building industry, carrying out the renewal of equipment and technical renovations, setting up business associations, developing new products, and by upgrading the product quality to high, precise, and top levels.

In the course of opening to the outside world and development, great attention should be given to transforming the existing outdated enterprises. This is an important policy of economic development for the days to come as well as an important pillar of increasing financial revenue. While reforming outdated enterprises, we should focus our attention on various trades, improve the quality of products first, advance toward advanced international and domestic levels, carry out cooperation with counterpart units, import and adopt advanced technology, dispatch personnel to study abroad and strive to raise the technical level of the existing enterprises so that some of our province's major products will gradually catch up with the advanced domestic and international levels. In addition, we should also continue to expand new developmental spheres, improve product quality and expand the range of production.

While attending to development and opening to the outside world, we should have a broader perspective, and unceasingly expand the scope of foreign contacts and cooperation. We should be bold in using foreign capital, and should welcome cooperation and create a good investment environment for investors from foreign countries and from other provinces. We should fully support and display the role of the Bigang Developmental Consulting Corporation and the Longguang Industrial Corporation. The relevant departments should vigorously study and formulate preferential policies on importing foreign capital and improving investment terms so that all investors who come to our province will have good prospects for gain. Meanwhile, we should actively improve transportation and communications facilities as well as facilities for the service trade and create good working conditions for the investment units.

B. We should further enliven foreign trade and strive to expand the import and export of commodities. Developing foreign trade is one of the important tasks in expanding international economic and technological exchanges. Under our plan, our province's procurement volume of export commodities next year will reach 3 billion yuan, up 15 percent over this year's estimate of 2.6 billion yuan. All departments should maintain close cooperation, integrate industrial, agricultural, and technological units with trading units, formulate unified plans, make rational arrangements, and vigorously expand the export of "first" and key commodities. The number of "first" commodities whose procurement volume is planned at over 10 million yuan should be increased from the present 21 to 30 next year. While further expanding self-employed operations and the procurement channels of export commodities, we should gradually implement the system of conducting foreign trade imports and exports on commission in line with the spirit of reforming the foreign trade system, vigorously carry out compensation trade and cooperative production, process goods with foreign materials and patterns and assembly equipment with parts supplied from foreign customers, and carry

out other flexible trading methods. We should carry out transactions with other localities, dispatch salesmen observation groups to foreign countries to understand market information and to promote sales of products, expand selling and information networks in foreign countries, give full play to the role of Longfeng Company in Hong Kong, and strive to establish economic and trading organs in foreign countries. In addition, on the basis of making full use of Dalian and Qinhuangdao ports for exports, we should fully use Qingjin and Luojin ports in the DPRK to expand our province's export commodity capacity.

C. We should carry out transactions with the Soviet Union and Eastern European countries. Our province has geological and product advantages for exportation and it also has traditional trading contacts with the Soviet Union. In line with the principle of equality and mutual benefits, we should carry out economic contacts and foreign trade with the Soviet Union and other Eastern European countries. In addition, we should give full play to the role of the international freight joint transportation agreement to develop Asian-European integrated transportation in order to promote the development of the provincial economy.

D. We should further develop the province's tourism. Our province has great potential for developing tourism. We should proceed from the characteristics of our natural resources to further develop special tours of hunting, watching birds and enjoying snow-covered scenery. We should also organize tours on fishing, cycling, enjoying forest scenery, visiting minority areas, honeymoon and holiday tours, and tours for the purpose of recuperation, and specialized scientific and technological exchanges as well as other tours that use our province's local distinctions. We should change the situation in which the state holds a monopoly in running tourism. We should adopt the method of the state, the collective, and the individual cooperatively running tourism and the method of relying on the people and foreign funds to run tourism. We should encourage the people to adopt various methods for cooperatively running tourism. We should ceaselessly expand the international tourist market. While persistently expanding the tourist market in Japan, Hong Kong, and Macao, we should make efforts to expand the channels for absorbing tourists from Southeast Asia, establish contact with travelers from Europe and the United States, develop international tourism and try every possible means to enliven our tourism to earn more foreign exchange for our province.

4) We should further reform the superstructure to suit the needs of reform and the open policy.

A prominent characteristic of the current rural reform and the urban economic reform is to maintain a close link with the superstructure. Party and government leading organs, the economic management departments, and leading organs of the enterprises and establishments should make their management systems and leadership methods serve the economic foundation. Through the reform work of the past 2 years, our province has made achievements in the reform of superstructure. Because these reforms were carried out under the situation in which the whole leadership system and the economic management

system have not been totally reformed, the reforms have not been carried out thoroughly. Along with the ceaseless development of the economic system reform, we should essentially conduct the reform of the superstructure and the provincial-level departments in charge of economic work. At present, we must make efforts to conduct the reforms in three fields.

A. We should further achieve the organizational reform of the provincial-level departments and bureaus in line with the principle of separating the government functions from business management. Since the beginning of this year, the provincial government has delegated the management powers of 98 enterprises under the administration of the province to cities and counties, furthermore, the government will continue delegating powers to lower levels. By simplifying the administrative procedures and delegating powers to lower levels, and gradually realizing the work of separating government functions from business management, the installation of the provincial government administered organs will be relatively changed. Some departments and bureaus should be changed into functional departments of the provincial government, some should be changed into economic companies, and some should be amalgamated with others. Because of the heavy task of simplifying the administrative procedures and delegating powers to lower levels, it is difficult for us to adapt to the sudden changed situation. Therefore, temporarily, the existing organizations will not be changed. Not changing the existing organizations does not mean that we have no work to do. All departments and bureaus should adapt to the new changed situation, stand in the forefront of reform, proceed from the macroeconomy, pay attention to the strategic and overall problems, persistently go deep into grassroots units to help cities, counties, and enterprises conduct reform, and do a good job in making overall plans, coordinating with, supervising, and serving the trades.

B. We should complete the work of amalgamating prefectures with cities and speed up the reform of the leadership system of cities administering counties. Amalgamating prefectures with cities and letting cities administer counties is a necessity for the development of the situation in reform. We should enthusiastically and steadily conduct the work. The present prefectural and city organizations have set up barriers between urban and rural areas, industrial and agricultural output, and departments at different levels. The organizations are overlapped. This is not conducive to the improvement of work efficiency and economic development. Judging from the practice of Mudanjiang city, by amalgamating prefectures with cities and letting the cities administer the counties, some man-made barriers have been removed and the city has combined urban areas with rural areas, industrial output with agricultural output, and the departments at different levels. This is conducive to simplifying administrative procedures and delegating powers to lower levels, to the development and utilization of natural resources, and to bringing into play the functions of the key city in order to strengthen the economic relations between cities and counties and to utilize the economic advantages.

We have 10 cities under provincial jurisdiction and 5 cities [shi] under prefectural jurisdiction. Their geological positions, economic strength,

tasks, organizations and leadership are different. Only Harbin, Qiqihar, Mudanjiang, and Jiamusi cities, however, are truly multipurpose central cities. Therefore, except for Mudanjiang city which has already implemented the system of cities leading surrounding counties, the other three cities should merge gradually and carry out the same system as that of Mudanjiang city. In other cities whose industrial structure is unitary and whose sizes are smaller, further investigations and study are needed to decide whether they should merge and implement the system of cities leading the surrounding counties.

C. We should improve leadership methods and change office work style. The economic system reform is now in the ascendant. New situations and new tasks call on us to continuously improve leadership standard and leadership style. First of all, we should earnestly study the documents and instructions of the central authorities, learn from advanced foreign experiences, master modern managerial knowledge, renew knowledge, and increase our ability to lead the four modernizations drive. We should adhere to the ideological style of seeking truth from facts and do our work in a creative manner. We should have courage and knowledge, refrain from overcautiousness, and try not to ban but to do everything beneficial to the country and the people. Party and government organizations and economic leading departments at all levels are not bureaucratic organs, but those to serve the people, the lower levels and the grassroots. Personnel of all departments at all levels are servants of the people, who should foster the idea of bearing the people's interest in mind, doing good turns for the people, and serving them wholeheartedly. We should enforce the responsibility system strictly so that all units and departments will shoulder their responsibilities, perform their duties and do their work conscientiously and meticulously, and resolutely overcome all privilege-seeking and bureaucratic style. All cadres are encouraged to go to grassroots units to ascertain new situations, solve new problems and sum up experiences, resolutely free themselves from the meetings which seek only formality and flourish, and achieve concrete results in their work.

C301 4006/145

PROVINCIAL AFFAIRS

GUANGDONG COMMENTARY LAUDS SUCCESSES OF OPEN-DOOR POLICY

HK211020 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 21 Sep 84

[Station commentary: "Successful Experience, Bright Prospects"]

[Text] Five years have elapsed since Guangdong implemented special policies and flexible measures and established special economic zones. In these 5 years Guangdong has carried out a series of successful experiences in opening to the outside world. We opened three special economic zones in Shenzhen, Zhuhai, and Shantou; we opened the door wide to attract foreign investment, technology, and equipment; we reformed promptly and effectively the systems and regulations which hampered the open-door policy and the enlivening of the domestic economy; and so on. All this has brought about the rapid development of Guangdong's economy, has further consolidated social prosperity and stability, and has markedly improved the people's standard of living. The masses have gladly said: Guangdong has entered a golden age!

The open-door policy and reform are the major policy decisions necessary for building a powerful socialist country with distinctive Chinese characteristics. After 5 years' efforts, Guangdong has made a good start in opening to the outside and enlivening the domestic economy. Our tasks at present are to actively carry out reform, open the door wider to the outside world, and carry forward the favorable situation.

Comrade Deng Xiaoping pointed out: While establishing special economic zones and implementing the open-door policy, we must make it clear that our guiding ideology is to open wide and not to restrict. Comrade Deng Xiaoping's directive is the guideline for us to accelerate the pace of reform and the open-door policy. On the basis of a definite guiding ideology, we should continue to make creations and breakthroughs to attain our common objective.

It can be expected that under the party leadership and with the concerted efforts made by the people of the whole province, we will certainly be able to create a new situation in building the four modernizations in Guangdong.

CSO: 4006/145

PROVINCIAL AFFAIRS

GUANGDONG FURTHER PROMOTES OPEN-DOOR POLICY

OW190941 Beijing XINHUA Domestic Service in Chinese 1554 GMT 16 Nov 84

[Report by RENMIN RIBAO reporter Zeng Xiangping and XINHUA reporter Zhang Cailong]

[Excerpts] Guangzhou, 16 Nov (XINHUA)--Editor's note: The Guangdong Provincial CPC Committee, proceeding from the realities of the province, is seriously carrying out rectification and correction in the light of existing problems concerning the opening to the outside world. The committee has sorted out certain documents and regulations that obstruct the opening to the outside, developed lateral economic connections in the province, corrected bureaucratic leadership, and thus effectively promoted the work of opening to the outside world. The key to success in attaining the objective of having the party rectification promote the economy and reform lies in a thorough study of the realities of one's locality and department and in finding out and firmly solving the conspicuous problems existing in one's locality and department. This is an experience of universal significance.

In the course of the party rectification, the Guangdong Provincial CPC Committee carries out rectification and correction in view of the problem that people's minds have not yet been emancipated enough with regard to implementation of the policy of opening to the outside world, and that the pace of reform is not yet fast enough. The rectification and correction have effectively promoted the economic activities between Guangdong Province and foreign countries.

In the course of the party rectification, the Guangdong Provincial CPC Committee seriously studied and understood the Central Committee's instructions on rectification and correction and modestly listened to the opinions of the broad masses of the cadres and people. After serious study, the provincial party committee has decided to open still more to the outside world, further enliven domestic economy, and delegate more power to lower levels. It has decided to take advantage of the favorable condition--the central

authorities' permission for Guangdong to adopt special policies and flexible measures--to actively develop coastal areas, energetically develop mountain regions, strive to turn the Zhujiang Delta into a model well-to-do area in China, and strive to double the province's 1983 total industrial and agricultural output value by 1990.

In the light of this strategic objective, the provincial party committee and various leading organs directly under the provincial authorities have sorted out the documents and regulations issued since the implementation of the policy of opening to the outside world. All principles and policies that obstruct further opening to the outside have been abolished or revised.

In order to improve working efficiency and promote the opening to the outside world, the provincial party committee has rectified the working style of the organs directly under the provincial authorities, overcome bureaucracy, and improved various rules and regulations.

In the first 9 months of this year, the province's total industrial output value increased by 35 percent as compared with the corresponding period in 1983 and the province had already fulfilled 80 percent of its annual total industrial output value plan.

CSO: 4006/145

PROVINCIAL AFFAIRS

HUBEI RIBAO ON WUHAN'S ECONOMIC REFORM

HK050736 Wuhan HUBEI RIBAO in Chinese 10 Oct 84 p 2

[Article by Xia Wen [1115 2429]: "An Analysis of Certain Questions Regarding Economic System Reform in Wuhan"]

[Text] Between June and July of this year, over 50 comrades from 11 departments including the State Commission for Restructuring the Economic System, the State Planning Commission, the State Economic Commission, the Ministry of Finance, the Ministry of Foreign Economic Relations and Trade, the Ministry of Commerce, and the Ministry of Communications came to Wuhan to take part in experimental work on the overall economic system reform. Under the guidance of the CPC Central Committee and the State Council and the leadership of the Hubei provincial party committee and the Hubei provincial government, they worked for nearly a month, by which time they had drawn up an initial plan for carrying out overall reform in pilot projects and 12 individual reform projects. The process of drawing up the plans was also one of summing up experiences, unifying understanding, and promoting reform. In this article I merely wish to offer an account of some of my experiences gained as I took part in this work, and an analysis and exploration of certain questions involved.

1. Major Contradictions To Be Solved in the Overall Reform of Wuhan City

Wuhan is situated near the midpoint of the Chang Jiang and was historically known as the "axis between nine provinces." Since the founding of the country, it has become one of the key cities in the state economic construction plans. Between 1950 and 1983, the state invested a total of 9.8 billion yuan in Wuhan's industry. The city's fixed assets currently amount to 11.3 billion yuan, while last year's gross industrial output value reached 12.4 billion yuan (the fourth largest of the nation's large cities). The city's industry is relatively broad, and it has particularly strong bases in iron and steel and machinery and textiles. It is also strong in the spheres of science and technology and education, and its geographical location is extremely important because it is a center of land and water communications in China's hinterland as well as its largest inland waterway port. These are the advantages of Wuhan, and by exploiting them to the full, we can turn the city into an economic center of both Hubei Province and indeed the whole of central China, thereby bringing about the speedy development of this rich

region. However, for a long time, due to problems in the economic system, overcentralization, a lack of separation between government and enterprises, barriers between departments and regions, and inefficient communications channels, and since Wuhan was the seat of the provincial party committee, which led to more administrative intervention in economic activities than in other cities in the province, contradictions between the province and city were more numerous, more direct, and more complex, and the advantages of Wuhan could not be brought into play. Wuhan's economic radius was severely limited. From this we can see that there is a sharp contradiction between the historically formed economic system, which uses mainly administrative methods and stresses vertical relationships and structures, and a big provincial city like Wuhan, which needs to exploit its advantages and play a central role in Hubei Province and the whole of central China.

In order to mobilize the initiative of all sides to solve this major contradiction, it is necessary to handle three relationships properly; namely, the relationship between the CPC Central Committee and the localities and between the province and city; the relationship between the autonomy of enterprises and the structural reform of central, provincial, and city economic management departments, as well as streamlining administration, devolving power, and separating enterprises and government; and the relationship between giving play to Wuhan's role as an economic center and strengthening the management of industries and trades. The proper handling of the relationship between the province and the city is of important significance in this regard. The key to this lies in the ability of the province to adopt an attitude of pioneering and initiative, taking the lead in streamlining its administration and devolving power, allowing more freedom to enterprises, and supporting and guiding Wuhan city in its exploitation of its advantages and its role as an economic center. Naturally, the city must also be able to take the whole situation into account and must not make unrealistic demands. If the above attitudes are taken, the atmosphere of mutual distrust between comrades in the various provincial and city economic departments, spawned under the influence of the old system, will be swept away altogether, such that they will all work together in a concerted effort to carry out the comprehensive reform of Wuhan. As soon as our work of drawing up plans began, under the leadership of the provincial party committee a pilot reform leading group was established, composed of major provincial and city comrades and headed by the provincial mayor, Comrade Huang Zhizhen. The group played a fine role in coordinating and handling the above relationships, in particular the relationship between the various provincial and city economic departments. From now on it will continue to be responsible for the concrete guidance work in the pilot projects for the comprehensive reform of Wuhan city. If practice proves that reform not only produces economic results but enables new unity to be achieved between the province and the city on the basis of a new relationship, this will be highly valuable.

2. Certain Questions Which Require Us To Unify Our Understanding

Why is it that in Wuhan city we must carry out independent planning and devolve power to enterprises under the jurisdiction of ministries and the province, entrusting them with economic management powers? Does this constitute the orientation of the reform of large provincial cities in general? Will relations between the province and the city from now on be those of leader and led? Will it have a positive or negative effect on the whole of the economic work of the province? All these questions and worries were expressed by some comrades in the process of discussions while drawing up reform plans for Wuhan city. If the bulk of the provincial and city cadres do not have a correct and unified understanding of these issues, people will see the above three measures adopted by the CPC Central Committee with regard to Wuhan city simply as a question of separating province and city in terms of competence and power. It will then be easy for efforts to be concentrated on the distribution of power, while the question of how province and city are to reform together will be ignored. In fact, there have already been indications of such a trend developing.

Why is the CPC Central Committee adopting the above three measures with regard to Wuhan? As soon as one understands the main contradictions to be solved in Wuhan's comprehensive reform as described above, this problem is not so difficult to solve. In brief, this is mainly because Wuhan city has an especially important economic position in China's central economic region. The initial adoption of the above three measures in the economic system represents an important step toward the speedy implementation of the overall reform in Wuhan and an essential precondition to be created before Wuhan can give full play to its advantages and exploit its role as the economic center of China's central economic region. In the same way, Chongqing city, because of its ability to exercise a role as the economic center of the southwest economic region, also started its comprehensive reform pilot projects last year by carrying out the above three measures. Chengdu, on the other hand, though a large city and the seat of the Sichuan provincial government, had a different economic position than Chongqing in the southwestern economic region. When experimental reforms were carried out in Chengdu city, independent planning was not implemented, but power was devolved, as in Chongqing, and at the same time, Sichuan Province decided that Chengdu city should basically have provincial-level economic management powers. Practice has proved that the way the reform was carried out in Chengdu produced fine results, as in Chongqing. Not long ago the CPC Central Committee decided to carry out these three measures in Shenyang and Dalian. This is because Shenyang has the capacity to play a central economic role in the northeast region, while Dalian has the potential to give even more play to its function of "expanding links with the outside and contacts with the interior," a function it is able to carry out as a large harbor city. So we can see that the above three measures are inseparable and indispensable in the task of bringing about the situation in which the big cities of Chongqing, Wuhan, Shenyang, and Dalian play specified roles within specified economic regions. On the other hand, it would seem that in the bulk of provincial cities there is no need to carry out independent planning. If this were to be carried out, the said independent

planning would lose its significance, since without key areas there is no policy. In principle, the other two measures can be adopted anywhere. The adoption of the above three measures in Wuhan city by no means changes the administrative and jurisdictional relations between province and city, nor the relationship of leader and led. This is because these two types of relationships between province and city are a different thing, in essence, from changes in economic management power. For example, Dalian city has greater powers than the province in terms of authorizing the use of foreign investment, introduction of advanced technology, and the amount of foreign currency to be used, but this has no effect whatsoever on the administrative and jurisdictional relations between Liaoning Province and Dalian city, nor their relationship of leader and led.

The adoption of the above three measures in Wuhan city on the one hand enables Wuhan itself to quicken the pace of its reform and, with the direct support and leadership of national economic strength and planning and in light of the requirement that it play a role as central China's economic center, to quicken the transformation and development of the old economic base; and on the other hand, it allows us to prompt the various provincial economic departments to speed up the process of administrative streamlining, devolution of power, separation of government and enterprise, and structural reform, so that more efforts may be concentrated on the guidance of the province's macroeconomy. The provincial economic departments would then be free to properly carry out the work of "overall planning, coordination, service, and supervision," while entrusting Wuhan, a central city, with the organization and promotion of the economic development for the whole province. To sum up the above, the adoption of these three measures in Wuhan city is bound to strengthen, not weaken, the economic work of the whole of Hubei Province. This is indubitable.

(1) While drawing up programs for independent planning, there was much contention between the province and the city over how to define basic figures for over 10 different planning goals. There was particularly sharp contradiction on the question of how to define the basic figures for finances retained by the city, with the two sides starting from very different viewpoints. The question was discussed frequently, and in the end both sides decided that the basic figures could not be too detailed and that the general figure chosen should be in keeping with the direction of the policies and reforms. Practice has proved that this opinion is correct.

(2) In the course of drawing up programs for devolving power to enterprises, some comrades recalled their negative experiences in the past with similar projects and suspected that this time things would go the same old way; therefore they fought over who was to manage things, feeling that their own departments were better equipped for the job than others. In response to this situation, it is necessary to stress that this time is nothing like previous times when enterprises were put under lower administrative levels; all that happened in the past was a simple transfer of power, whereas this time devolution is linked with the entire system reform. Its aim is thus: to destroy the barriers between the regions and departments and exploit the function of central cities as organizers of the economy; to promote all

levels of economic management departments, from the center to the localities; to separate government from enterprises; to streamline administration, devolve power, and make the necessary structural reforms; and to create the conditions for strengthening the vitality of enterprises. Therefore, in the case of cadres who continue to hold the mistaken view of being against devolving power to enterprises, we must carry out patient persuasive work. On the other hand we must also stress that this devolution of power to enterprises is not a question of cutting everything with one knife. We must adopt different methods and steps in light of different conditions.

The Hubei Provincial CPC Committee and the Wuhan City CPC Committee are taking the drawing up of programs for Wuhan's reform and current experimental work as an important part of the rectification and reform involved in rectifying the party. In this way the reform is linked with the party rectification and the principles, policies, and concrete practice of the reform. Because of this, good results have been achieved in raising and unifying the consciousness of the broad masses of cadres toward the overall reform experiments for Wuhan city. This experience is well worth looking at.

3. The Aims of the Comprehensive Reform of Wuhan City and Its Major Tasks at Present

The aim of the comprehensive reform of Wuhan city's economic system is to solve the major contradictions described in the first part of this article. In other words, it is to speedily and healthily develop the forces of production, to give full play to the advantages possessed by Wuhan, and to thereby make Wuhan into a really strong economic center of both Hubei Province and the whole of central China, as well as a center of production, exchange, science and technology, finance, communications, post and telecommunications, and information. This center will have the capacity to adapt to the massive growth in rural commodity production; hasten the reform of the cities and the opening to the outside; get rid of the bonds of the old economic management system; and, between all the various enterprises under different economic forms and management styles and according to the inherent links of the economy and the principles of voluntariness, mutual benefit, and the sharing of problems, adopt lively and varied forms of cooperation and combination, so as to develop a broad network of lateral economic links and thereby establish between big and small cities, between town and countryside, and between industry and agriculture, socialist economic relations with Chinese characteristics. These will be relations which are "full of vitality, mutually promotive, mutually beneficial and supportive, and which lead to common development." At the same time, under the unified laws and leadership of the state, the center will turn its face to the whole country and the world, develop its radial economic strength and its overall functions, promote the speedy and healthy economic growth of the entire central China region, and achieve the general goal of quadrupling the gross industrial and agricultural output value by the end of the century.

1. Enlivening Enterprises and Exploiting Wuhan's Advantage of a Strong Industrial Base

Though Wuhan city's industrial base is relatively sturdy, its industrial equipment and the basic facilities of the city are old, its level of management and technology relatively low, and enterprise quality and economic results somewhat lacking. According to statistics, the net value of the city's industrial fixed assets is already less than half its original value. Of the profits retained by 271 large and medium enterprises, an average of only 20,000 yuan was used by each enterprise on technical transformation funds. In the whole city, only 20.3 per 100 yuan of fixed industrial assets was provided in taxes, while the national average is 37 yuan. From this we can see that there still exist many weak links in Wuhan's economic system. If we fail to overcome these many weak links, the advantage of having a strong industrial base cannot be exploited. The existence of these many weak links is a manifestation of the old system, with its overly rigid management of enterprises creating obstacles and fetters impeding the development of the forces of production. Therefore, an urgent task at present is to conduct overall reform and thereby enliven enterprises, open up a path toward exploiting industrial advantages, and bring about the speedy growth of the forces of production. There can be no doubt that enlivening enterprises, improving economic results, and increasing economic vitality represent the keys to exploiting Wuhan's role as an economic center.

In order to enliven enterprises, we must begin with the fact and creatively implement the State Council's provisional decisions on further expanding the autonomy of state-run industrial enterprises. Experience has proven that by organizing forces to go deep into the grassroots enterprises to carry out investigations in order to clarify the facts about weak links and their origins and the state of enterprise autonomy and the problems involved in it, leaders and masses both learn where they stand and are therefore able to carry out reforms and expand enterprise autonomy in ways appropriate to each particular situation. In this way they can grasp the tasks of technical transformation of old enterprises and construction of basic urban utilities, grasp specialized cooperation and enterprise reorganization and combination, grasp the job of "changing course and scale," create production on a scale that produces good economic results and advanced scientific research enterprises, and make into a reality the slogan raised by the city CPC committee: "Create first quality products and provide first class services." In a big city like Wuhan, as long as we can create a number of first class, famous products which sell well on the domestic and foreign markets, we can enliven enterprises all over the city, produce large numbers of marketable products, and avoid the separation between production and sales which has existed for so long. The function of providing such examples cannot be underestimated. In this way Wuhan products may become prestigious both at home and abroad and form a lasting reputation.

In order to enliven enterprises, Wuhan has centered on "substituting taxes for profit delivery" and destroyed the two "big pots" by reforming the distribution system. It has destroyed the lifelong employment system for cadres and the fixed labor system through reform of the labor personnel system. It

has carried out contract responsibility systems at all levels, linking responsibility, power, and interests. It has carried out small reforms at construction sites and in production enterprises, so that they come under a contract system for producing spare parts. There have also been initial results in enlivening enterprises and motivating the initiative of the masses of staff and workers. From now on we must gradually expand the scope of these reforms. For instance: Under the unified leadership of the state, we must gradually decrease the scope of mandatory planning while expanding the scope of guidance plans and regulation by market mechanism; we must reform the price management system and the irrational price system, so that we learn how to use the law of value; we must reform the system of goods and materials and enliven their circulation; we must reform the finance system and bring into play the role of credit as an economic lever, and so on. In this way we will develop from small-scale reforms to larger ones. This will inevitably greatly increase the vitality of enterprises and the initiative of staff and workers, and this is exactly the starting point and ultimate aim of urban economic reform.

In order to enliven enterprises, the present gradual streamlining of administration and devolution of power to enterprises on the part of the three levels of the central authorities, the provinces, and the central cities is of decisive significance, but since it is difficult at present for all three levels to progress at exactly the same pace, the power devolved is often kept at a certain lower level economic management department, which then fails to transfer it to a lower level or does not transfer enough power, since it is unwilling to give power to the grassroots. An even more common situation is that the power is blocked once it is transferred to the company level, since the company is unwilling to transfer it further down to the grassroots enterprises. In any administrative-type company which is organized from above, this is a relatively serious problem. In any enterprise or inter-enterprise relationship which is genuinely built on the principles of voluntariness and mutual benefit, there is not much problem with transferring power to grassroots enterprises; while in another sort of company, though in form it is by no means of the administrative type due to the fact that it lays too much stress on the idea of an inseparable economic entity and on the advantages of concentrating power at the company level, it is unwilling to transfer the power devolved to it from above down to the grassroots enterprises, or is only willing to transfer a small amount of such power. In brief, in our attempt to enliven enterprises, how are we to handle companies? How can we bring into play the cooperative and combinative advantages of companies while at the same time avoiding a situation in which the company level becomes an obstacle to the separation of government and enterprise and the expansion of enterprise autonomy? This is a question urgently in need of examination and a solution.

In addition, in order to exploit its role as an economic center, Wuhan must promote technological advance and, under the unified leadership of the state, organize large-scale cooperation between the metallurgical and machinery industries and between the machinery and light and textile industries. Then it must gradually broaden these two large-scale cooperation ventures until they spread throughout Hubei Province and the small and

medium cities of central China. At present emphasis must be laid on the reform of the machinery industry system and on technological advance. On the other hand, with regard to the four counties under its administration, in order to avoid the formation of a new regionalism [kuai kuai 1040 1040], Wuhan must adopt flexible and varied forms of combination in accordance with the internal economic links between the city and the surrounding area. Through the small towns and villages scattered all over the place, it should broadly develop an open economic network, and with industry as the main feature and agriculture and rural mixed economic management as the base, promote the development of a single agricultural, industrial, and commercial entity, forming a beneficial cycle in the economy of the city and its surrounding areas. Afterwards, with this as the starting point, this central function of Wuhan city should gradually be broadened to envelop the whole of Hubei Province and central China.

2. Enliven the Two Channels (Circulation and Communications) and Exploit Wuhan's Advantages as an Axis for Land and Water Communications

Enlivening the two channels and making Wuhan into a center of central China and the middle and lower reaches of the Chang Jiang in terms of commerce, goods and materials, and information, will play a massive role in promoting the region's production growth, the prosperity of the market, and technological advance.

In order to enliven circulation, we must emphasize four major reform projects: The first involves devolving power from the second-grade station of the provincial commercial bureau in Wuhan to the city, combining it with the city company, reorganizing it into a wholesale company, and establishing a comprehensive and multi-specialized trade center and wholesale broker's storehouse. At the same time, on the basis of existing goods markets and the cooperative goods network between Wuhan and the other seven cities within the province, organize a goods exchange and trade center, forming a trade group in which each member has their own specialty, and gradually expanding the scope in which the market regulates consumption and production materials, so that this trade group becomes a great school in which the broad masses of cadres can learn about the law of value. The second involves the transfer of power to the city from commercial storage and transportation companies under provincial jurisdiction, turning them into economic entities with independent accounting, which will continue to undertake the transfer, storage, and transportation of domestic and provincial commodities. The third involves Wuhan city dissolving the first and second commercial bureaus and grain bureaus and establishing a commercial management committee to carry out the separation of government and enterprises. This represents an important breakthrough in the commercial management system. The fourth involves reforming the foreign trade system, achieving a separation between government and enterprise, and combining the provincial and city foreign trade bureaus; as well as establishing certain specialized harbor companies in Wuhan and promoting the establishment of a combined industrial, agricultural, and technological trade system which will undertake import-export work for Wuhan city, Hubei Province, and central China. This represents the direction of the reform. If conditions are not

yet ripe for the introduction of this program, steps may be taken to create such conditions.

Here I would like to deviate briefly. In June this year Guangzhou made a request to come to Wuhan to exhibit and sell light and textile industrial products. Upon hearing the news, some comrades in the departments concerned in Wuhan city expressed disapproval of this request to the city leaders. Their justification for this was that Wuhan's light and textile industrial products were not as competitive as Guangzhou's. The Wuhan City CPC Committee immediately called an extraordinary meeting to discuss the matter. During the discussion, the CPC committee leading comrades stuck resolutely to the point of view that disagreement with the proposal that Guangzhou exhibit and sell its products in Wuhan was mistaken, and that it represented a protectionist, backward and isolationist policy that could only leave the city's commodities in a backward position forever. Conversely, welcoming Guangzhou's exhibition was correct, since it represented an open policy of using other people's advances to stimulate oneself to action, and only by pursuing this policy could a situation come about in which Wuhan's backward industries and products could take part in competition, learn how to become advanced, foster creativity through this learning, and achieve the aim of catching up with and overtaking the advanced. In this way, the CPC committee undertook patient persuasion, unified everyone's understanding, and made the clear resolution to welcome Guangzhou to Wuhan to exhibit and sell all their advanced products, and to give warm and courteous treatment to the comrades from Guangzhou. They would, they decided, definitely make everything as convenient as possible for these comrades and satisfy their needs. Following this, the Wuhan city mayor, Comrade Wu Guangzheng, talked to reporters and publicly announced that Wuhan's Sanzhen market would be opened to the whole country, with no discrimination on grounds of geographical location or the public or private nature of participating concerns; all would be welcome in Wuhan to conduct business, and at the same time foreign commercial organizations would be welcome in Wuhan to discuss business propositions. In this way, with things so flexible, highly gratifying changes soon took place in the Sanzhen market. These two courses of action adopted by the leading organ in Wuhan broke through the outmoded thinking of "protecting backwardness," and thus brought about an important shift in the guiding thinking behind Wuhan's economic reform. Without such a shift, it would have been impossible to open up a new situation in the reform.

In order to enliven communications, three reform projects must be emphasized. The first involves separating the port authorities from the shipping authorities, establishing the Wuhan port management bureau, jointly run by the Ministry of Transport and Wuhan city, with the ministry in charge, to conduct unified planning and management of the port. The cargo docks and passenger transport fleets must be developed, policies broadened, and state-run, collective, and individual business (including rural transportation specialized households) encouraged to develop. At the same time we must exploit the role of the combined transport and management corporation made up of 37 big cities including Chongqing, Wuhan, and Nanjing, avoiding the past situation in which, due to a division between regions and departments, passenger and cargo ferries would be full on the way to their destination but

empty on the return trip, or even empty both ways. The second project involves transferring the long-distance passenger and freight transportation enterprises currently under the jurisdiction of the provincial transport bureau to the city. Wuhan city must also open up air transportation, and in concert with transportation enterprises in its brother cities both inside and outside the province, open up various sorts of cooperation and combined management, breaking through the divisions between departments and regions and achieving a connection between water, land, and air transport. The third involves making use of the advantageous conditions of the Chang Jiang's tributary canal transportation. Wuhan city must, in cooperation with the medium-sized cities surrounding it, adopt a chain-like, relaxed, cooperative joint system or adopt forms like combined management, cooperative management, or joint investment. It could also disperse certain products to the outside, thus supporting those country towns and small towns situated on the banks of the Chang Jiang tributaries, and on the principle of rational deployment of production forces, develop in a planned way small, civilian enterprises which are technologically relatively advanced, gradually forming a large number of new small towns and cities. The more the economies of these small towns prosper, the more the transport along the tributaries and the economies of Wuhan and other cities will flourish. In particular, Wuhan's role as a land and water traffic axis will increase. In short, the economic prosperity of the large, medium, and small towns along the banks of the "golden canals" of the Chang Jiang is linked with the flourishing of the transportation industry. But there is a problem here: Due to the fact that for many years past, in order to irrigate fields, hundreds of reservoirs have been built near the Chang Jiang's tributaries, while the majority of these tributaries have no locks, and thus traffic jams are created. This is an important problem affecting the restoration of Wuhan city as the "axis of nine provinces." It is therefore urgently necessary at present to adopt open policies, reform the relevant systems, and use other flexible and effective means to solve this problem; otherwise the fine visions described above will be no more than empty illusions.

3. Face the Task of Economic Construction and Exploit Wuhan's Scientific, Technological, and Educational Advantages

At present there are over 400,000 personnel working in natural science fields in Wuhan city, and over 40,000 personnel involved in various areas of the social sciences. This makes a relatively strong regiment of science and technological personnel. In particular, Donghu Prefecture in Wuhan contains a concentration of over 20 institutes of higher education and several dozen scientific research institutes. A region so rich in intellectual resources is rare in China. At present, apart from two semiofficial intelligence exploitation companies, the "East Lake" and the "Yellow Goose," the following companies have been set up, either independently or in combination, by Institutes of higher education, scientific research units, and the departments concerned in the State Council: the Laser Technology Exploitation Company, the Amino Acid Technology Exploitation Company, the Aquatic Products Technology Exploitation Company, the Fiber Optics Communications Research and Production Combine, the Wuhan Biological Production Research Institute, and so on. It would seem that there remains a lack of unified

planning and division of labor. If it continues its original system, Wuhan will have no power to respond to this problem. From now on the work of setting up "small zones" involved in technology, knowledge, and economic intensive activities; organizing the schools of higher education, scientific research units, and industrial departments to establish various scientific research and development combines based on cooperative division of labor; and opening up in a planned way new technology, products, and industries, along with organizing the powerful force of science, technology, and education, with the aim of strengthening the economies of Wuhan, Hubei, and the whole of central China, should be carried out under the unified leadership and ruling of the State Council's Science Commission. The role of Wuhan as an economic center must be brought into play, so that Wuhan city genuinely becomes a center for scientific and technological information, advice and service, and a center for the training and exchange of personnel. To this end Wuhan must carry out independent planning and establish a planning system for the coordinated development of three areas: the economy, science and technology, and education. Science and technology planning must be centered on drawing up medium and long-term plans, while yearly plans may be rolling plans. In order to face the challenge of the world's new technology revolution, current scientific and technological work must be concentrated on using new technology to transform old enterprises and traditional industries. At the same time, we must continue to open up new industries. We must introduce systems combining scientific research institutes and production and make great efforts to develop research and production combines while continuing to do a good job of running trade fairs showing the fruits of scientific research, so that such research and production help each other advance and progress in leaps and bounds. We must take the initiative to introduce advanced technology and must organize science and technology personnel to make fine achievements and carry out discussions, as well as promote sales, new innovations, and popularization of the fruits of their work. Only by introducing advanced technology and combining innovation with study can we catch up with and surpass the world's most advanced standards of science and technology. At the same time we must organize social science workers to combine their knowledge with the actual conditions in China and to make use of the successful fruits of social science knowledge to provide scientific arguments for the medium and long-term plans for the region, for the economic system reform, for enterprise management, and for economic legislation. If we are to achieve all the above, we must take particularly seriously the reform of the education system and enlivening of the training and employment of personnel. This is something of decisive significance.

CSO: 4006/145

PROVINCIAL AFFAIRS

NEI MONGGOL'S QIAN FENYONG ON STUDYING ECONOMIC REFORM DECISION

SK260211 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 25 Oct 84

[Excerpts] On 24 October, Qian Fenyong, deputy secretary of the regional CPC committee, spoke on his experience in studying the decision of the CPC Central Committee on the reform of the economic system at the ninth standing committee meeting of the fifth regional CPPCC committee. He said: The decision is a document of great historical significance, and a guiding principle for our country to make the third leap.

Comrade Qian Fenyong said: In our party history, both the 3d Plenary Session of the 11th CPC Central Committee and the 3d Plenary Session of the 12th CPC Central Committee are meetings of great historical significance. The 3d Plenary Session of the 11th CPC Central Committee established again the Marxist ideological, political, and organizational lines for our party, shifted the work focus of the whole party to the socialist modernization drive, and in particular, set forth tasks of reforming the economic system. Prominent breakthroughs were made in handling rural issues. The recent third plenary session was another great breakthrough in the whole economic system, especially in the urban reform. It indicates that a new reform situation is spreading from the countryside to the urban areas and the whole economic sphere.

Enterprises are cells of China's economic structure. If each and every cell is filled with vitality, the whole national economy will be brimming with life and vitality. Therefore, we should boldly exert efforts to reform enterprises, strengthen investigations and study as we did in rural reform, be bold and resolute in reform, and free enterprises from the shackle of the inflexible and partly inflexible economic structure.

Comrade Qian Fenyong said: We should study and implement the decision, boost our courage, greatly display our wisdom, create a new and lively situation in the regional reform, and continue to score fruitful achievements.

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PROVINCIAL AFFAIRS

ANHUI GOVERNOR URGES DEVELOPMENT OF TOURISM

OW281320 Hefei Anhui Provincial Service in Mandarin 1100 GMT 27 Oct 84

[Text] During a recent inspection tour of Huangshan city, Governor Wang Yuzhao said that tourism should be developed through the joint efforts of the state, the collectives, and the individuals. Household-run hotels should be encouraged and vigorous efforts should be made to improve tourism services and produce different varieties of tourism handicrafts. To set an example for others to follow, a few households should be helped to become well-off by running family hotels or other tourism services.

When he made an inspection of Anhui in late August and early September this year, Premier Zhao Ziyang gave an important directive on developing tourism. Governor Wang Yuzhao made a special trip to Huangshan to check up on and guide the work of implementing the directive.

Sixty-four households belonging to a park service team in the vicinity of the Wenquan Guest House in Huangshan have been running family hotels. About half the households have been making 10,000 yuan a year by providing family hotel service to tourists.

When he was told that, Comrade Wang Yuzhao said: Family hotels should be encouraged, without restrictions. Family hotels should provide both lodging and meal services for tourists and display souvenirs with distinctive local features for sale.

After inspecting the (Tiandu) Hotel run by an individual in (Tangkou) town, Wang Yuzhao said: Individually run hotels should pay attention to the needs of consumers. Room conditions should be gradually improved until they are good enough to accommodate tourists from foreign countries or from Hong Kong and Macao.

Governor Wang Yuzhao also told responsible persons of (Tangkou) town: You should know how to find competent people in that field and give them an opportunity to demonstrate their talent and skills. In developing tourism, you should attach importance to training professionals. Town authorities should organize job-seeking youth to attend tourism training classes. You should first emancipate their minds and seriously implement Premier Zhao Ziyang's directive on developing the third industry and tourism. You should strive to turn the towns and villages in Huangshan to tourism so that all can become prosperous.

CSO: 4006/145

PROVINCIAL AFFAIRS

XIZANG DEVELOPING SPECIAL ZONE FOR TOURISM

HK170158 Beijing ZHONGGUO XINWEN SHE in Chinese 0659 GMT 16 Nov 84

[Text] Lhasa, 16 Nov (ZHONGGUO XINWEN SHE)--Xizang, the attractive and mysterious highland of China's southwest, is intent on developing tourism and is building a special zone for tourism with unique features. The above information was disclosed to a ZHONGGUO XINWEN SHE reporter by Ge Guangzheng, deputy director of the Tourism Bureau of Xizang.

This official explained that what is called a special zone for tourism means a special tourist trade run by a special zone. It embodies the following features in addition to the ordinary business of sightseeing and tourism:

1. It will enjoy certain privileges. It will be able to accommodate tourists from inside and outside China who have come to Xizang by way of the interior, and it can also receive tourists from neighboring countries by way of the border areas, thereby changing the condition that tourists must come by way of the interior. At the request of Nepal, the Tourism Bureau of Xizang is holding talks with the Nepalese side on developing international tourist cooperation, by opening a route in areas bordering the two countries and establishing an international tourist line. When conditions are ripe, Xizang is quite willing to carry out such kind of cooperation with other adjacent countries.

2. Tourism in association with religious pilgrimages will be developed. There are many famous Buddhist temples in Xizang, and there are also religious holy places such as Gangdisi holy mountain and Mafamucuo holy lake. In the course of history pilgrims from neighboring countries have come to Xizang to climb the mountains in great numbers to worship the Buddhas. Apart from places such as Zhangmu, Pulan, and Jilong, which have been open to tourists from neighboring countries, Xizang plans to gradually open more places for this purpose.

3. Tourism in association with scientific investigation is to be developed. The geographical and geomorphologic features of Xizang are complex. There is the science of the Himalayas in the world. Therefore, Xizang possesses value for scientific investigation and research. In Xizang there are people of various nationalities such as the Zang, Menba, Luoba, Xiaerba, and Deng,

each with specific conventions and customs which are very attractive. Thus, Xizang also has value with respect to the social sciences and archeological studies, and there is a specialized science of Zang studies in the international community.

4. Mountaineering tourism is to be developed. Xizang, which is called "the roof of the world," is an ideal place for developing mountaineering tourism. Since 1980, an average of about 1,600 people have been accommodated annually, and the number of people from foreign countries asking for permission to engage in mountaineering is increasing year by year.

5. Visiting relatives and tourism by Zang compatriots residing abroad is to be developed.

Ge Guangzheng said: Nearly 4,000 tourists from abroad have been received so far this year. Of this number, about half entered the country by way of Zhangmu, a place on the border of China and Nepal. It is expected that 6,000 people will be accommodated. It is said that in order to build the special zone for tourism, Xizang is building a number of guest houses and restaurants with the support of the state, which will have 2,100 beds by 1986 when the projects have been completed. Travel service branches will be set up in Zhangmu, Tingri, Xigaze, and Gyangze. In the future, another group of hotels will be built, and by 1990 a total of 3,000 beds will be added. Some other places open to tourism will successively set up travel service branches.

CSO: 4006/145

PROVINCIAL AFFAIRS

ANHUI GOVERNOR ON DEVELOPING VILLAGE, TOWN ENTERPRISES

OW072349 Hefei Anhui Provincial Service in Mandarin 1100 GMT 5 Nov 84

[Excerpts] According to an ANHUI RIBAO report, Governor Wang Yuzhao pointed out, at an on-the-spot provincial meeting on village and town enterprises, that to energetically develop such enterprises is an important measure in comprehensively revitalizing the economy of Anhui. After summing up the achievements of the village and town enterprises in our province since the beginning of this year, he listed these enterprises' existing problems, and the orientation of their future development.

Governor Wang Yuzhao said: With implementation of the party Central Committee's No 1 and No 4 documents since the beginning of this year, rural cadres and people in the province have broken the bonds of leftist ideas, collected themselves, and enthusiastically engaged in industrial production and commercial activities, in an effort to enliven the rural commodity economy. They have regarded the development of village and town enterprises as an important strategic measure in changing the rural industrial structure, doubling the output value of these enterprises to bring prosperity to the people, and revitalize the country. These enterprises have been invigorated to an extent never before known, because of their rapid development and production increases. We must, however, understand there are still problems on the way ahead. We are lagging behind a number of neighboring provinces. The absolute value of output and profit in our province's village and town enterprises is far from reaching that of the corresponding enterprises in either Jiangsu, Zhejiang, or Shandong. The development of our provincial enterprises has not been balanced. Their place in the national economy is still too low in terms of total output value, and their structure is irrational. We should deal with these problems seriously, guard against complacency, rouse ourselves, and catch up with others. Our tentative plan for provincial village and town enterprises next year requires them to fulfill the target of 5 billion yuan in output value. During the 7th Five-Year Plan period, their output value should increase at least 20 percent annually, and reach the 15 billion yuan mark by the year 1990. By that time, the output value of village and town enterprises should constitute 30 to 40 percent of our province's total agricultural output value, and the average income for each and every peasant should be around 150 yuan.

Governor Wang Yuzhao said: To invigorate village and town enterprises, we should also step up the development of intellectual resources, and the integration of intellectuals with the enterprises. The current global technological revolution was launched to meet people's various needs, and electronics technology is being used in the race to develop intellectual resources. Qualified personnel with special skills are critically short in our village and town enterprises. To solve this problem, such enterprises need to forge close ties and integrate with intellectuals in society, rely on them to create new and sophisticated products, and to improve management and train enterprise personnel.

CSO: 4006/145

PROVINCIAL AFFAIRS

GANSU LEADER DISCUSSES SUPPLY, MARKETING COOPERATIVES

HK110930 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 10 Sep 84

[Excerpts] Not long ago, after listening to reports by the provincial supply and marketing cooperative on correcting its guiding thought in its professional work through party rectification, a responsible comrade of the provincial CPC committee pointed out that the guiding thought of the province's supply and marketing cooperatives in their professional work should be closely centering on the fulfillment of the party's general task and target and the short-term target put forward by the provincial CPC committee, emancipating minds, further carrying out reform, enlivening circulation, expanding services, increasing production, and raising efficiency.

In their reports, comrades of the provincial supply and marketing cooperative discussed five ideas which they mainly resolved to follow in correcting their guiding thought on professional work.

1. Adhere to the idea of supply and marketing cooperatives serving peasants.
2. Carry out the principle of simultaneous development of the state, collectives, and individuals, and properly resolve peasants' difficulty in buying and selling.
3. Adhere to the idea of combination of production, purchasing and marketing, and service in business operations, and establish and perfect the rural commodity information service system.
4. Establish an idea of linking the raising of economic efficiency of enterprises with the results of social service.
5. Adhere to the idea of modern business management.

The responsible comrade of the provincial CPC committee affirmed the above and put forth specific suggestions and demands for the work of supply and marketing cooperatives.

CSO: 4006/145

PROVINCIAL AFFAIRS

CONSULTING FIRMS SUCCESSFUL IN SHANGHAI

OW071231 Beijing XINHUA in English 1154 GMT 7 Dec 84

[Text] Shanghai, December 7 (XINHUA)--China's policy of using nongovernmental resources to supplement the state-run sector has paid off in the setting up of more than 40 cooperative and private technical consultancy and development enterprises in Shanghai, according to official sources here.

These companies, responsible for their own profits and losses, are helping retool small and medium-sized factories. Upgrading existing industries is now receiving growing attention all over China and will be a primary national task during the Seventh Five-Year Plan period (1986-90).

They also serve rural factories and households specializing in commodity production, which are often beyond the reach of government research and technical development institutes. Another 100 such technical consultancy businesses are being set up or being examined by municipal authorities for approval, officials said.

A company started by four retired engineers have since September offered to scores of factories technical consultancy services in ship designing, construction and maintenance. Retired workers may now apply for permission to start individual or collective businesses, according to ~~earlier~~ news reports. Experiments are being carried out in Shanghai and elsewhere to relax the personnel policy, enabling engineer Gu Guodong to quit his work unit and start an electroplating and painting research institute which now serves several hundred factories. Gu, 43, though his talent was somewhat wasted while working at a state-owned sewing machine factory where electroplating is merely a single working procedure. [sentence as received]

CSO: 4020/47

PROVINCIAL AFFAIRS

TEMPO OF LIFE, URBAN CONSTRUCTION ACCELERATE

OW061021 Beijing XINHUA in English 0631 GMT 6 Dec 84

[Text] Beijing, December 6 (XINHUA)--The idea of "spending money to buy time" is taking root in Beijing where one out of every three and a half workers are attending TV or college courses, vocational classes or other spare-time courses.

Faster tempo of life in the Chinese capital is being felt not only among the young but among all sections of the city's residents.

To save time, more people are now eating out. Most government organizations and factories run about 9,000 canteens for their own workers, and more than 5,000 restaurants and snack shops are operating along the streets, including some privately-run food stands and shops. It is estimated that two million people eat out everyday.

According to a recent decision by the State Council General Office, starting January 1 next year, the length of lunch breaks at all government offices in Beijing will be cut to one hour throughout the year from the present two hours in summer and one and a half in winter. The change is intended to raise office efficiency and give people more time for social activities, study and recreation.

More Beijing residents are turning to fast food and ready-made clothes. Cooked dishes and instant foods are enjoying increasing popularity in the city. Sales of prepared food in the first nine months of this year equalled those of the whole of 1983.

Also in the wake of the new drive for a more efficient lifestyle, supermarkets have made their appearance. There are now more than 40 supermarkets in Beijing, mostly opened in the last two years. Goods in the supermarkets are generally more expensive than in ordinary shops. But, as many customers put it, "you spend less time buying food in the supermarkets and the quality is higher."

Owing to the expansion of Beijingers' activities, about nine million people travel by bus daily, a 6.85 percent rise over the same period last year. More and more families are buying washing machines, refrigerators and other household appliances to ease the burden of household chores.

Some 74,000 washing machines and 39,000 refrigerators were sold in Beijing in the first eight months of this year, 45 percent and 400 percent more, respectively, than in the same 1983 period. It now takes only one and a half minutes to make a "snowflake" brand refrigerator as against four minutes two years ago.

The pace of urban construction is also being speeded up. About 21 million square meters of apartment buildings have been completed in Beijing proper over the past five years. This is roughly equivalent to the total housing accommodation in old Beijing in 1949. An overpass just completed in northeast Beijing leading to the capital international airport was built in nine and a half months, 21 months ahead of schedule.

With redoubled efforts for environmental protection, the area of the city's parkland and lawns now approaches five million square meters, 15 times that of years ago.

However, local residents still refer to crowded buses and difficulties in shopping as two of the main obstacles to increasing their efficiency and improving their lifestyles. To cope with the problems the municipal government has urged factories and other units to start their day shifts at varying times between 7:30 and 9:00 in the morning and more shop assistants will deliver goods to the door-step of customers and extend their service hours.

CSO: 4020/47

PROVINCIAL AFFAIRS

BRIEFS

XIZANG EXPORT-IMPORT INSPECTION--On the afternoon of 9 September, Puquin, vice chairman of the autonomous regional people's government, went to the hotel run by the Communications Office to meet with (Zhu Zhenyuan), deputy chief of the PRC General Administration for Inspection of Import and Export Commodities, and (Tao Wenyuan), deputy chief of the (?No 4 Office). Vice Chairman Puquin discussed with Deputy Chief (Zhu Zhenyuan) questions concerning the inspection of Xizang's export and import commodities. Also present at the meeting were (Wanguang Fuzhi), secretary general of the autonomous regional people's government, (Baima Chiren), deputy director of the autonomous regional commerce department, and the responsible comrades of Xizang's export and import commodities inspection bureau and of the Lhasa customs. (Zhu Zhenyuan), deputy chief of the PRC General Administration for Inspection of Import and Export Commodities, and (Tao Wenyuan), deputy chief of the (?No 4 Office), arrived in Lhasa by plane on 8 September. [Text] [Lhasa Xizang Regional Service in Mandarin 1130 GMT 9 Sep 84 HK]

SHANDONG COMMODITY CIRCULATION SYSTEM--Since the 3d Plenary Session of the 11th CPC Central Committee, Shandong Province has relaxed commodity purchasing and marketing policies, developed collective and individual shops and farm produce markets, and improved commercial service networks and facilities to enliven rural and urban markets. The total value of industrial and farm products procured in 1983 was 20.76 billion yuan, an increase of 99.6 percent over 1978, with an average annual increase of 14.8 percent. Urban and rural collective commercial enterprises have increased to more than 100,000, an increase of more than 30,000 over 1978, and households engaged in individual labor and business have increased to 623,000, an increase of 599,000 over 1978. These households in rural areas amount to 94.4 percent of the total for the province. Sales of these collective enterprises and self-employed laborers and businessmen have increased from 4 percent of the province's total in 1978 to 28 percent. [Summary] [Jinan DAZHONG RIBAO in Chinese 8 Oct 84 p 2 SK]

HUNAN FOREIGN ECONOMIC RELATIONS--On the afternoon of 25 October, (Wen Hui), secretary general of the secretariat of the meeting on the talks about Hunan provincial foreign economic relations and technological cooperation, announced the status of the meeting to reporters. By 24 October, 86 contracts had been signed at the meeting and the total amount of foreign investments had reached \$70.43 million. Of these, 18 will be joint ventures and

the investment amount will be \$14.33 million; 10 will be joint production enterprises and the investment amount will be \$36.37 million; and 2 will be compensation trade projects and the amount invested will be \$690,000 million. The meeting will continue for one more week and many items are under negotiation. Zhu Rongji, vice minister of the State Economic Commission, said that compared with other provinces and municipalities, Hunan Province made full preparations for this meeting and the volume of business is the largest. [Summary] [Changsha Hunan Provincial Service in Mandarin 2300 GMT 25 Oct 84 HK]

XINJIANG RURAL SERVICE STATIONS--This year Xinjiang Region has set up 68 rural cooperative economic management and service stations, which have vigorously provided services to peasants and herdsmen before, in the course of, and after production. These stations have done everything to promote sales of products for the peasants and herdsmen. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 7 Nov 84 HK]

TIANJIN TOWN-RUN ENTERPRISE DEVELOPMENT--The township people's governments throughout Tianjin municipality, which have been established since September 1983, have played an effective role in developing rural work. As of the end of June 1984, the municipality had 1,156 township and town-run enterprises, a 182-unit increase over the figure of the corresponding 1983 period. These enterprises surpassed the total output value scored in the corresponding 1983 period by 13.42 percent. The municipality had 4,756 enterprises run by brigades, a 916-unit increase over the figure of the corresponding 1983 period. These enterprises surpassed the total output value scored in the corresponding 1983 period by 11.77 percent. [Excerpts] [Tianjin City Service in Mandarin 1430 GMT 8 Nov 84 SK]

WUZHOU TRADE FAIR--The first Wuzhou import and export commodities small-scale trade fair, which is being held to take full advantage of Wuzhou as a port and to promote the development of Guangxi's external economic dealings and trade, held its solemn opening ceremony this morning. (Huang Hanyun), head of the fair leadership group and mayor of Quzhou city, presided. Regional CPC Committee First Secretary Qiao Xiaoguang cut the ribbon. This small-scale trade fair is being held in the spirit of the decision of the regional CPC committee and government to regard Wuzhou as a comprehensive pilot project for reforming trade fairs in the region. People of various sectors have expressed interest in the fair. Up to this morning, over 180 businessmen from Hong Kong and Macao and 870 representatives from units concerned in Guangxi, Guizhou, Hunan, Yunnan, Sichuan, Guangdong, Hubei, Fujian, and Gansu had arrived for the opening ceremony. [Excerpts] [Nanning Guangxi Regional Service in Mandarin 1130 GMT 29 Nov 84 HK]

SHANXI WELCOMES FOREIGN INVESTMENT--Taiyuan, October 29 (XINHUA)--Shanxi Province, China's leading coal producer, signed 56 contracts worth 29.14 million U.S. dollars with foreign businessmen in the first nine months of this year, roughly equivalent to the total from 1981 to 1983, according to the provincial authorities. The contracts involved imports of 250 pieces of equipment used in the electronics, metallurgical, machinery, printing,

food processing, textile, packaging, pharmaceuticals and plastics industries, as well as agriculture. Bean curd, bread and ice cream production lines have already gone into operation. Most of the items were agreed upon at a business meeting attended by representatives from 240 firms in 26 countries and regions in April. From January to September, Shanxi sent 35 economic and technological delegations abroad for study. Shanxi imported 215 items of equipment worth 32.46 million U.S. dollars from Federal Germany, Japan, Britain, Italy and Hong Kong to upgrade its coal and other industries from 1981 to 1983. After revamping, its textile industry began exporting products to America and Southeast Asian countries last year. [Text] [Beijing XINHUA in English 1031 GMT 29 Oct 84 OW]

HUNAN CONTRACTS WITH FOREIGNERS--Changsha, October 31 (XINHUA)--Hunan Province signed contracts on 151 projects worth more than 100 million U.S. dollars with foreign firms at a foreign economic and technical cooperation symposium which ended here today. The 151 projects would involve 43 million U.S. dollars of foreign investment, a spokesman for the organizers said. Also signed were export contracts of 52 million U.S. dollars. Provinces such as Hubei, Hebei and Shandong had held similar symposiums earlier to attract investment and show their development potential. More than 600 Hong Kong, Macao and foreign business executives attended the Hunan gathering. Hunan is one of China's major agricultural zones and noted for its mineral resources. [Text] [Beijing XINHUA in English 1457 GMT 31 Oct 84 OW]

GUANGXI EXPANDS ORCHARDS--Nanning, November 8 (XINHUA)--The Guangxi Zhuang Autonomous Regional Government will use 50 million U.S. dollars loaned by the World Bank to expand sub-tropical fruit production. Yang Zhenduo, president of the regional branch of the Agricultural Bank of China, said most of the 20-year loans will be used to plant oranges, pomelos and litchis in the northern and southern parts of the region, where transport facilities are good. Guangxi's mild, wet climate favors fruit growing. Foreign fund management organizations have been set up in the region. About 800 hectares have been prepared and 1.4 million seedlings planted in southern Guangxi. [Text] [Beijing XINHUA in English 0745 GMT 8 Nov 84 OW]

LIAONING URBAN, RURAL MARKETS--Shenyang, November 21 (XINHUA)--Liaoning Province opened 161 new urban and rural markets which did business worth more than 1.26 billion yuan (about 504 million U.S. dollars) in the first ten months of this year. The transactions represented a 23 percent increase over the same 1983 period, according to the provincial department of commerce. The new markets brought the provincial total to 1,681, more than triple the figure in 1978 when peasant markets reopened in this northeast China province after the "Cultural Revolution." Commodities available include home-made articles, daily necessities, tools, meat and eggs, and grain and oils, products which used to be controlled by the state. Some markets also specialize in certain items of commodities such as industrial products, livestock, garments, furniture, flowers, birds and fish, or motor vehicles. The number of specialized markets in Liaoning has now grown to 334. In addition, the province has set up 102 wholesale markets. In the first ten months of this year, their business volume reached 69 million yuan, over three times the figure of 1983. There will be one peasant market in every Liaoning township by 1985, double this year's total, the provincial commercial department said. [Text] [Beijing XINHUA in English 0725 GMT 21 Nov 84 OW]

ECONOMIC DEVELOPMENT ZONES

BRIEFS

NEW FIRMS FOR NINGBO, WENZHOU--The Ministry of Foreign Economic Relations and Trade recently approved the establishment of economic and technological trade companies in Ningbo and Wenzhou cities. The two companies are local economic entities for the import trade. The business handled by the two companies includes import of technology, equipment, raw and processed materials, parts and elements for projects undertaken with foreign investment and with imported advanced technology; foreign trade consultation; introducing business partners; processing, or assembly, of materials for foreign firms, compensatory trade, and cooperative business operation; providing market and commodity information; creditworthiness investigation; serving as proxies and agents for foreign firms; organizing technological exchanges; and maintenance and repair service. Currently, the two companies are actively preparing to begin regional import business, in accordance with the policy of opening to the outside world, inviting foreign investment, and importing advanced technology. [Text] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 14 Nov 84 OW]

AID IN COASTAL DEVELOPMENT--Jinan, November 24 (XINHUA)--An academic society set up today aims at integrating the efforts of Chinese natural, social and technological scientists to develop the country's coastal zones. More than 50 percent of China's gross output value comes from areas along the nation's 18,000-kilometer coastline, including 6,000 islands. Economically important coastal cities include Shanghai, China's leading industrial and business center, and lesser industrial and communications hubs such as Tianjin, Dalian, Yantai, Qingdao, Lianyungang, Qinhuangdao, and Zhanjiang. A non-governmental organization, the Chinese Society for the Development and Management of Coastal Zones will study strategies and offer consultation services to help central and local authorities achieve the optimum economic, social and ecological benefits. "This is now possible because surveys of coastal zones have been basically completed," a society spokesman said. Honorary chairman of the society is State Councillor Kang Shi'en. Leading scientists including Fei Xiaotong and Yu Guangyuan are on the society's advisory committee. The headquarters of the society is in Qingdao, Shandong Province. [Text] [Beijing XINHUA in English 1614 GMT 24 Nov 84 OW]

ECONOMIC PLANNING

JIANGSU'S ECONOMIC PROSPECTS FOR YEAR 2000 DISCUSSED

Nanjing XINHUA RIBAO in Chinese 11 Aug 84 p 2

[Article from Jiangsu Provincial Economic Research Center Office: "Jiangsu's Prospects for the Year 2000: a Brief Discussion of Jiangsu's Economic Development Strategy"]

[Text] Comrades attending a symposium held during the last 10 days of May on "Jiangsu in the year 2000" held extensive and lively discussions on problems of Jiangsu's economic and social development strategy and raised many useful views and also some different viewpoints which are summarized as follows:

1. On Overall Planning for Jiangsu's Economic Development: Comrades attending the symposium tentatively analyzed Jiangsu's strategic position and tasks and proposed certain plans for its strategic goals and development channels based on provincial conditions. Some comrades thought that choosing and defining strategic goals is the central problem in formulating development strategy and that it must proceed for actual conditions. Quadrupling the total output value of industry and agriculture by the end of the century should become our essential target, but it must be premised on supporting the improvement of economic results and take the ability of both the country and the people to achieve material benefits as its goal. Other comrades thought that it is correct to unify speed and results. But judging by present conditions, this view is suspected of being inadequate. We must regard improving the level of modernization of industry and agriculture as the most important strategic need, use the beneficial conditions of opening up the two port cities, and strive to transform the national economy into a new technological base as quickly as possible. Striving to improve the pace of development and results will enable Jiangsu's economy to be freed from the conditions of technological backwardness and poor results and also to gain the initiative faced with the challenge of the world's new technological revolution.

2. On Jiangsu's Regional Economic Development Strategy: The "active improvement of southern Jiangsu and the accelerated development of northern Jiangsu" proposed by the provincial Party committee is the guiding principle of Jiangsu's regional economic development strategy. The four cities of Suzhou, Wuxi, Chongzhou and Nantong are part of the Shanghai economic zone

and we should fully utilize their conditions, accelerate the opening of developing industries and the transformation of traditional ones, and separately build them into scientific research cities, trade centers geared to the needs of foreign and domestic markets, high technology industrial zones dominated by micro-electronic technology, and "Asian Genevas" and "Asian Venices" of modern communications hubs and scenic beauty. Some comrades envisioned the three cities of Suzhou, Wuxi and Changzhou being joined together by the year 2000 and forming an enterprise-intensive, high technology leading industrial zone.

The northern Jiangsu region has abundant natural resources and agricultural sideline product resources and is a nascent commodity grain base. We should fully utilize and develop these strengths, develop resource superiorities into product and commodity superiorities, and further develop its comprehensive economic advantages. There are several strategic gaps, and we must choose them in line with local conditions. We can popularize the experience of Haian County, and through developing the feed industry, develop grain superiorities into great agricultural superiorities integrating farming and animal husbandry, and based on large-scale production of poultry, fish, meat, eggs and milk, vigorously develop the food industry and spur the development of industries such as plastics, packaging and refrigeration. Northern Jiangsu moreover must combine the building of small cities and towns with the development of industries such as commerce, credit, transportation, storage and information, and create the conditions to develop a commodity economy.

3. On Revising the Industrial Structure: Everyone thought Jiangsu's present industrial structure is quite backward and unable to adapt to the needs of modernization. We must do a good job of handling the relationship between developing and traditional industries. There were three views: One was that faced with the challenge of the new technological revolution, we should go all out to develop new and developing industries and catch up with new world trends in technological development; another view was that the emphasis of our province's industrial development should be placed on the aspect of improving traditional industries, and that we cannot "disregard present debts"; and the third view was that the development of new and developing industries and the improvement of traditional ones should be carried out together, with the former as the base and the latter as the guide. Traditional industries must rely on technology provided by developing industries for their improvement, and developing ones must also rely on traditional ones to provide them with raw and processed materials and markets. The pace and results of Jiangsu's future economic development will mainly be achieved through using advanced technological transformation and through improving traditional industries. In addition, still other comrades thought that we must actively develop a third kind of industry (mainly commerce, tourism, credit, communications and food and drink) and a fourth kind (such as information, advice and software), or else the development of material production departments would be seriously affected.

4. On Strategic Priorities: Comrades attending the symposium thought that agriculture, energy resources, communications and qualified personnel are all major factors affecting Jiangsu's economic development.

We must continue to develop the advantages of agriculture, take the road of ecological agriculture, supply the people with a lot of animal protein in order to gradually change their food composition, and vigorously develop animal husbandry and the feed and food industries, enabling agriculture to become a fast-developing, high-output value and high-income industrial branch. Southern Jiangsu's agriculture must take the road of having a degree of concentrated economizing, raise the funds produced by agriculture and the degree of its technology-intensiveness, vigorously develop plants and greenhouses for the cultivation and aquatics industries, develop in the direction of suburban agriculture, and do a better job of satisfying all the needs of the people in cities and towns.

As to the problem of energy, some comrades advocated paying equal attention to development and economizing, with economizing as the major factor; and paying equal attention to structural energy saving and product energy saving, but taking product energy saving as the major factor. Some comrades thought that the difficulties in solving energy saving problems are a matter of extreme urgency, and advocated paying equal attention to development and cooperation, but taking development (including coordinated development with other provinces) as the major factor. Still other comrades thought that we should stress the use of advanced technology in energy saving and development (wind, methane and solar energy), and must particularly stress the use of the range and quality of new technology and intensified processing, and develop high output value and low energy consumption high-grade products and new and developing technologies which can greatly reduce energy consumption per unit output value and thus actively save energy.

As to communications, many comrades thought that Jiangsu's long-term neglect of seaport construction, Chang Jiang harbors and a fleet of ships, causing the coastline and Chang Jiang waterways throughout the province to long be unable to develop their roles, was a major mistake in economic planning and must be changed as soon as possible. In order to carry out the principle of "accelerating the development of northern Jiangsu", communications must go ahead of the rest. Future northern Jiangsu communications must lay equal stress on the five means: railroads, highways, inland rivers, ocean shipping and aviation. But there were different views on specific measures, with some advocating the early construction of railroads linking up northern Jiangsu's hinterland and run by local people, and some advocating giving priority to highway transportation.

Qualified personnel is the most basic key in economic development. The use of qualified personnel restricts present economic development, and the training of qualified personnel determines future economic "take-offs". Investment in qualified personnel is thus the most crucial investment. Leading comrades of the provincial government emphasized the future need for "the rate of increase in intellectual investment to be higher than that of material investment", and this policy view received unanimous approval.

FINANCE AND BANKING

BRIEFS

NEI MONGGOL SAVINGS DEPOSITS--Urban people's savings deposits in Nei Monggol Autonomous Region substantially increased in 1984. As of 20 October, total savings deposits had reached 1,380.92 million yuan, an increase of 317.61 million yuan over 1983. In the first 9 months of this year, total urban savings deposits in the region increased 282.66 million yuan over 1983. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 8 Nov 84 SK]

FOREIGN EXCHANGE SERVICES--Beijing, November 6 (XINHUA)--The Industrial and Commercial Bank of China has started dealing in foreign exchange, a spokesman said here today. The services aim at collecting more foreign funds for China to import advanced technology and equipment, he added. More than 20,000 branches of the bank throughout the country employ 300,000 people, he said. Those in the Shenzhen, Zhuhai and Xiamen special economic zones were the first to start such services. These include foreign currency savings deposits by Chinese at home and abroad and enterprises in the country as well as foreign currency loans to enterprises. Several other banks in the country including the Bank of China as well as the China International Trust and Investment Corporation have already started foreign exchange services. [Text] [Beijing XINHUA in English 0705 GMT 6 Nov 84 OW]

WORLD BANK LOAN--Shenyang, November 16 (XINHUA)--China will use an interest-free loan of 80 million U.S. dollars provided by the World Bank to improve rural drinking water supplies in addition to a large sum allocated by the Chinese Government. According to the Central Patriotic Public Health Campaign Committee, a water supply research center set up earlier this month in Shenyang, capital of Liaoning Province, is holding a two-month course training 37 engineers, technicians and managers for Beijing, Sichuan, Shaanxi, Zhejiang and Liaoning. The program is part of the United Nations "International Drinking Water Supply and Sanitation Decade." Clean water has been supplied to more than 370 million rural Chinese. Rural China has a population of about 800 million. [Text] [Beijing XINHUA in English 0935 GMT 16 Nov 84 OW]

CSO: 4006/145

INDUSTRY

PRC AUTOMOBILE INDUSTRY DEVELOPMENTS REPORTED

Beijing GONGREN RIBAO in Chinese 7 Aug 84 p 1

[Article by Wu Facheng [0702 3127 2052]: "China's Automobile Manufacturing Industry Has Rapidly Developed Out of Nothing; Annual Production Capacity Is Now 300,000, Ten Times That of 1957"]

[Text] Through 35 years of arduous pioneering, our country's automobile industry has grown out of nothing, has gradually developed in strength, and now has an annual production capacity of 300,000, or 10 times that of 1957. Development of the automobile industry has made positive contributions to the development of our country's communications and transportation and to the building of national defense.

Old China only had a few automobile repair and spare parts plants in several large cities such as Beijing, Shanghai, Tianjin and Chongqing which produced some spare automobile parts, but it basically had no automobile manufacturing industry. China began to build its first automobile manufacturing plant in 1953 in Changchun. The first group of Liberation brand automobiles with a carrying capacity of 4 tons appeared on 15 July 1956, annual production volume was 30,000, and that ended the history of China's inability to produce automobiles. Through nearly 30 years of construction, the automobile industry now has over 2,500 automobile processing plants, 37 of these are classified as main automobile engine plants by national planning and over 200 as refitting plants, and they are distributed in the 29 provinces, municipalities and autonomous regions throughout the country. From 1949 to 1983, the nation invested a grand total of 4.3 billion yuan in the automobile industry (not including local investment), and the automobile industry turned over to the higher authorities a grand total of 11 billion yuan in profit taxes, equal to 275 percent of the national investment. Automobile varieties have developed from a single one to a series of many varieties. By the end of 1983, our country could produce 82 varieties in the 6 major categories of trucks, cross-country vehicles, dump trucks, tractors, buses and cars. Refitting plants have over 200 varieties in 10 major categories such as commercial service, medical health and construction work and special purpose vehicles for all occupations in farming, animal husbandry, fishery and forestry.

There have also been fairly great improvements in the automobile industry's scientific research standards and product development. The automobile

industry now has 26 comprehensive research and local automobile research institutes, and some colleges and universities have also set up automobile and automobile engine disciplines. The automobile industry's major enterprises have also set up colleges and vocational high schools for staff members and workers.

In order to adapt to the development needs of the automobile industry, the first automobile manufacturing plant in Changchun with a 30-year construction history, began last year to make changes in certain models. The second generation Liberation brand CA141 model automobile has already undergone national appraisal.

Although our country's automobile industry has made definite achievements in the past 35 years, it is still far from being able to satisfy the development needs of the national economy. Along with rapid development of the national economy and communications and transportation, the demand for automobiles is bound to expand. In order to catch up to advanced world standards as soon as possible in variety, technology and scientific research, China's automobile companies must stress product development and bolstering the ranks of scientific research. Designs were finalized for 104 varieties of new automobile models in 1983 alone.

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CSO: 4006/2

INDUSTRY

MAJOR ACHIEVEMENTS IN JIANGSU'S INDUSTRIAL CONSTRUCTION REPORTED

Nanjing XINHUA RIBAO in Chinese 7 Aug 84 p 1

[Article by Li Shijie [2621 1102 2638]: "Jiangsu's Light and Heavy Industry Fly Side by Side in Coordinated Development; Last Year's Annual Output Value Increased 4,500 percent Over That of the Early Post-Liberation Period"]

[Text] Through 35 years of efforts by people throughout the province, major achievements have been made in Jiangsu's industrial construction, and not only has the rate of increase been rapid, but progress has been made in the coordination between light and heavy industry. Last year's total industrial output value throughout the province reached 56.88 billion yuan, a 4,550 percent increase over that of 1949 and an average annual increase of 11.7 percent. During the 5 years since the Third Plenum of the 11th Party Central Committee, industrial production has continued to steadily increase through revision, having an average annual increase of 12.3 percent. Light and heavy industry have advanced together side by side and developed in coordination, and their proportions have been revised from 51.8 to 48.2 in 1978 to 58.7 to 41.3 in 1983.

Jiangsu's industries and trades have now increased, capacity has expanded, categories are fairly complete, and the predominant sectors are the textile industry's cotton, wool, silk and hemp with an output value constituting 26 percent of total industrial output value; the engineering industry's machine tools, tractors and automobiles with an output value constituting 29 percent; and the chemical industry's chemical fertilizer, chemical pesticide, sulphuric acid and refined oil with an output value constituting 13 percent. By the end of 1983, there were over 33,000 industrial enterprises throughout the province with a fixed assets original value of 28.83 billion yuan or several dozen times more than the value of fixed industrial assets throughout the province during the early post-liberation period.

Jiangsu's industrial enterprise structure is now formed of these characteristics: Small and medium-sized enterprises are in the majority, constituting 99 percent of the total number of enterprises throughout the province, and their output value constitutes 97 percent of total industrial output value throughout the province; collective enterprises are predominant constituting approximately 86 percent of all enterprises, and their output

value constitutes 40 percent of total industrial output value; and the processing industry constitutes approximately 80 percent of all industry. These enterprises are quite flexible in economic activity, and have a fairly strong ability to adapt to changed circumstances. Basic changes have also occurred in product mix, and production has been resumed and continued developments achieved in traditional products; industrial products such as steel products, crude oil, tractors, plate glass, chemical fibers and bicycles, and developing industries such as national defense, electronics and organic synthetic chemistry have developed out of nothing and from few to many. The output of sulphuric acid, chemical pesticides, walking tractors, yarn and cloth, ranked first throughout the country in 1983; and that of cement, caustic soda, synthetic ammonia, chemical fertilizer, television sets, watches and light bulbs ranked second.

Jiangsu's small town industries sprang up in 1958, and by the end of 1983 there were 56,000 industrial enterprises with an output value constituting 28 percent of total industrial output value throughout the province and ranking first in the country. Small town industries have become the main pillar of Jiangsu's rural economy, an important force in building small cities and towns, a major aid to urban industry, a channel for national revenue and a major supplement in distributing peasant income.

12267

CSO: 4006/2

INDUSTRY

GREAT CHANGES IN CHINA'S LIGHT INDUSTRY REPORTED

Beijing CONGREN RIBAO in Chinese 15 Aug 84 p 1

[Article: "Great Changes in China's Light Industrial Production; Light Industry's Total 1983 Output Value Has Increased 2,690 Percent Over That of 1949, an Average Annual Increase of 10.2 Percent"]

[Text] Great changes have occurred in China's light industrial production in the 35 years since the founding of the country. Light industry's total 1983 output value has increased 2,690 percent over that of 1949, an average annual increase of 10.2 percent. This rate of increase is not only infinitely superior to that of Old China, but also surpasses that of a number of other countries throughout the world.

Since the founding of New China, placing the development of light industry in an important position and enabling it to develop in coordination with a definite proportion of agriculture and heavy industry has become a major aspect of increasing the pace of national economic development. During the period of the 1st 5-year Plan, light industrial production developed very fast and basically adapted to the increase in social purchasing power, markets flourished and the people were happy. But "Leftist errors later created proportional imbalances and affected the development of light industry and the market supply of living and consumer goods. Since the Third Plenum of the 11th Party Central Committee, the eight character policy for the national economy and the principle of "six priorities" for light industry have been implemented, enabling light industry to make rapid developments.

Reflecting the people's material and cultural living standards, the output of major light industrial products has doubled and redoubled compared to the highest annual output prior to the founding of the country. For example, the highest annual output of machine-made paper and cardboard prior to the founding of the country was 1943's 165,000 tons, and 1983's output was 6.613 million tons or a 3,900 percent increase; the highest annual output of sugar prior to the founding of the country was 1943's 3.918 million tons, and 1983's output was 16.127 million tons or a 310 percent increase. Other household consumer goods also doubled and redoubled over 1952's recovery period. For instance, bicycles increased 34,300 percent, sewing machines 16,300 percent, cans 6,900 percent and leather shoes 1,400 percent. In

addition, families increasingly acquired washing machines and refrigerators for household use.

Our country's light industry is now not only producing on a broad scale, but product variety is also rapidly increasing. The annual increase of new varieties has reached 4,000-5,000 since 1979. For example, the electric light industry in the past could only produce ordinary light bulbs and assemble a few fluorescent lights, but it can now produce over 3,000 various specifications in 50 major categories such as halide-tungsten lights, short-arc xenon lamps, and metal halide lights adapted to the various needs of mining, communications, medical treatment and national defense. The wristwatch industry at first only had one variety of men's mechanical watches, but it can now produce women's watches and also various products such as calendar, double calendar, automatic and thin model wrist watches as well as electronic watches with hands or numerical displays.

While restoring many long-lost varieties, traditional light industry has also made new developments since the founding of the country. The 45-piece blue and white Chinese parasol tableware produced by the Jingdezhen People's Porcelain Factory has had the honor to win cash awards at international exhibitions three times in a row. Many light industrial products with distinctive Chinese features have also gained large amounts of foreign exchange for the country. Traditional light industrial export products have gained a grand total of \$39.29 billion in foreign exchange in the past 35 years. The light industrial export product foreign exchange volume reached \$4.91 billion in 1983. Light industrial products have become a major mainstay of our country's export trade.

12267

CSO: 4006/2

INDUSTRY

GUANGZHOU STEPS UP REFRIGERATOR PRODUCTION

OW031027 Beijing XINHUA in English 0908 GMT 3 Dec 84

[Text] Guangzhou, December 3 (XINHUA)—Guangzhou city will be able to build 140,000 refrigerators by the end of this year--about one-third of China's total.

Production topped 100,000 in the first ten months of 1984, an official of the Guangzhou Refrigerator Industry Company said.

Orders from all parts of the country indicate that the demand will reach five million units next year. But the company could only supply 160,000, he said.

Established last July, the company has imported technology and equipment to revamp its subsidiary plants. It will import a refrigerator compressor production line from the Matsushita Electric Industrial Company of Japan under a contract signed last August.

The line will be able to produce one million compressors a year when installed in 1987.

The Guangzhou Refrigerator Plant--a subsidiary of the company--now builds one unit per minute with two production lines imported last year.

In all, China produced 384,690 refrigerators in the first ten months of this year, 160 percent on the same period of 1983 but still falling far short of the growing demand.

Production is being stepped up along with a brisk import program to ease the acute shortages.

CSO: 4010/33

INDUSTRY

BRIEFS

SHANDONG TECHNICAL COOPERATION ORGANIZATIONS--Technical cooperation activities have developed vigorously among staff members and workers of Shandong. To date, Jinan, Qingdao, Zibo, Zaozhuang, Weifang, and Jining have established technical cooperation organizations with 539 grassroots units. These cooperation organizations have helped enterprises solve technical and production problems and popularize new technology, and have trained a large number of staff members and workers. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 21 Oct 84 SK]

CSO: 4013/48

CONSTRUCTION

NEW ACHIEVEMENTS IN CONSTRUCTION OF COASTAL, CHANG JIANG HARBORS

Beijing CONGREN RIBAO in Chinese 4 Aug 84 p 1

[Article by Xu Yongping [6079 3057 1627]: "New Achievements Made in Construction of Our Country's Coastal and Chang Jiang Harbors; There are 154 Deepwater Berths of Over 10,000 Ton Capacity in Coastal and Chang Jiang Key Harbors, and Annual Handling Capacity has Reached 250 Million Tons"]

[Text] During the first 3 years of the sixth 5-year Plan, 13 large-scale deepwater berths of over 10,000 ton capacity have been built in our country's coastal and Chang Jiang key harbors, and along with the completion of technological transformation projects, 40 million tons of handling capacity has been newly added, an increase of 150 percent over the average newly added harbor handling capacity for the 30 years after the founding of the country. By the end of 1983, there were 154 deepwater berths of over 10,000 ton capacity in coastal and Chang Jiang key harbors, and annual handling capacity had reached 250 million tons, an increase of 1,600 percent over 1952. From this January to June, harbor loading and unloading production had fulfilled the first half year's plan ahead of time, and handling capacity had increased 9.3 percent over the corresponding period last year.

China now has over 700 coastal and inland river harbors. Since the establishment of New China, through continuous new construction, extension and technological transformation, century-old harbors have been glowing with youth, and once desolate beaches have one after the other become thriving seaport cities. The century-old Shanghai harbor now has over 100 dock berths, 50 percent of which are 10,000 ton deepwater berths. The extent of mechanization and automation of loading and unloading work has greatly improved. The time needed to load and unload 1,000 tons of merchandise in 1983 had decreased an average of one quarter from that of 1978, and total 1983 profits had increased 85 percent over those of 1978. Shanghai harbor's handling capacity has now passed 90 million tons, a 4,600 percent increase over that at the beginning of the founding of the country, and it has become our country's largest coastal foreign trade harbor and entered the ranks of the world's 10 largest modern harbors.

The town of Shiliu in Shandong Province's Rizhao County was formerly a remote, desolate fishing village. Through two short years of construction, a large-scale modern coal harbor, Shiliu harbor, has appeared on the shore

of the Yellow Sea. According to plans, the first stage of the project will build two 100,000-ton special purpose coal berths and a 225,000 square meter warehouse, an automated tipper building with an annual unloading capacity reaching 15 million tons, and a large number of complete projects such as communications, electric power, water supply and living facilities. After these projects and the Yanzhou-Shijiazhuang Railway built in synchronization with them are put into operation next year, they will play a major role in expanding the ability of places such as Liang-Huai, Yanzhou, and Shanxi to ship out coal.

In order to further adapt to new conditions of opening up externally and enlivening the economy domestically, our country is now starting construction on 62 deepwater berths of over 10,000 tons capacity and corresponding complete sets of facilities in ports such as Dalian, Qinhuangdao, Tianjin, Qingdao, Lianyungang, Shanghai, Huangpu, Zhanjiang and Nanjing, which are planned to be fully operational by next year. Since the port of Tianjin finished construction of our country's first modern special purpose container berths. The port of Dalian is building 2 coal berths with handling capacities reaching 3 million tons and an 80,000-ton capacity grain distribution berth with an annual handling capacity of 3 million tons. In the port of Nanjing's newly emerging Weigang district under the ancient stone city of Jinling, the main part of the engineering has now been completed for two 10,000-ton sundry goods berths and a container berth with a design capacity of 1.3 million tons. Five iron and steel, ore, chemical fertilizer and grain berths are also going to be built there. After all the projects are put into operation, the port of Nanjing will become our country's largest inland river foreign trade harbor.

12267

CSO: 4006/2

DOMESTIC TRADE

COMMENTARY URGES SUITING PRODUCTION TO MARKET

OW061239 Beijing XINHUA Domestic Service in Chinese 1436 GMT 5 Dec 84

["XINHUA Commentator: Two Basic Principles Should Be Followed in Readjusting Rural Production Structure"--XINHUA headline]

[Excerpts] Beijing, 5 Dec (XINHUA)--Our rural economy is on its way toward specialization, commodity-orientation, and modernization. To accelerate the transformation, rural reform must center on production structure readjustment. This poses a question to the vast numbers of rural cadres and masses: What principles are to be followed in readjusting production structure?

Agricultural experts and departments concerned believe that adapting measures to market needs and to local conditions are two basic principles that should be followed in readjusting rural production structures.

The principle of readjusting production structure to suit market needs means that under the conditions of a socialist planned commodity economy, where changes in people's needs for farm and sideline products will be reflected in the marketplace, peasants should rationally readjust their production, gear to the needs of trade and market, decide what to produce, in what quantities, which products should be upgraded and which products should be chosen to reduce their costs, all in light of changes of supply and demand and price fluctuations in the market. Only by doing so can they satisfy the nation's growing needs for farm and sideline products and achieve the goal of production structure readjustment. Once product variety and quantity have increased and quality improved, and once products become readily salable, the countryside will become prosperous. On the other hand, if the produced goods are not what are needed and are unsalable, there will be a waste of capital and manpower, and the readjustment work will not achieve what it was intended to achieve.

Closely related to the principle of suiting measures to market need is the principle of suiting measures to local conditions. This principle requires us to readjust the production structure not only in light of market needs but also in light of the local natural and economic conditions, because agriculture itself is a mixture of social and natural reproduction. Localities differ in their natural and economic conditions. An area may be best for certain kinds of productive undertakings, but not for other kinds.

Therefore, only by allowing for this difference and observing the objective law, suiting measures to local conditions, making full use of an area's advantages and avoiding its disadvantages, and gradually improving its existing conditions can we achieve better economic results. In the past, some localities obstinately chose to develop what was not their strong points, disregarding objective conditions, and the results went contrary to their wishes. There are quite a few lessons in this respect. Here we want to point out in particular that the past bad habit of demanding uniformity in everything has not been eliminated completely, and we should guard against demanding uniformity in our readjustment work.

To sum up, by following the principles of suiting measures to market needs and local conditions, the peasants will be able to find their best choice in readjusting rural production structure.

CSO: 4006/145

DOMESTIC TRADE

OFFICIAL ON SUPPLY, PRICES OF CONSUMER DURABLES

OW090901 Beijing XINHUA Domestic Service in Chinese 1243 GMT 8 Nov 84

[Text] Beijing, 8 Nov (XINHUA)--Today our reporter interviewed a responsible person of the State Bureau of Commodity Prices on the prices of high-grade consumer durables. The interview went as follows:

Question: Recently word has spread in the market that the prices of such high-grade consumer durables as television sets, video recorders, and electric refrigerators will increase. Please tell us if this is true.

Answer: In our country the production of high-grade consumer durables is now in the development stage. Due to high production costs, the prices of such goods are higher. With the development of production in the future, output will go up and costs will come down. The prices will tend to decline gradually instead of rising.

Question: Some units have arbitrarily raised the prices of high-grade consumer durables. What should be done about them?

Answer: The State Bureau of Commodity Prices recently issued a circular urging commodity price departments and the competent departments concerned in all localities to strengthen the checkups and supervision of commodity prices. Anyone who violates the regulations and arbitrarily raises prices must be dealt with seriously. Nobody is allowed to take the opportunity of reform to raise prices arbitrarily, disrupt our socialist market, and damage the interests of both the state and consumers.

Question: Some people want to buy certain high-grade consumer durables that are in short supply. If the market has no supply of such items for the time being, can commercial departments accept orders from the buyers?

Answer: It is learned that commercial departments in some cities are prepared to accept orders for certain high-grade consumer durables according to their plans based on the availability of supply. This will help satisfy the needs of consumers and make arrangements for production and supply in a planned way. Where conditions permit, industrial departments may also accept orders for certain high-grade consumer durables.

Question: What prices should be used in the orders for high-grade consumer durables?

Answer: Current retail prices should be used. However, since the consumer has to make a down payment when ordering a durable, interest on this payment should be calculated for the period from the time the down payment is made to the time of delivery at the same interest rate that the commercial department would receive from the bank on its deposits (1.5 percent per month) [yue xi yi li 2588 1873 0001 0622 0063]. The interest will be used to offset part of the price in order to ensure the consumer's benefit.

Question: What should be done if the price comes down between the time of down payment and the time of delivery?

Answer: If the state reduces the price after the order was placed, we should not let the consumer suffer a loss. Should the price of a high-grade consumer durable be reduced, the new price should be used in calculating the final payment.

CS0: 4006/145

DOMESTIC TRADE

BRIEFS

TECHNOLOGY IMPORTS, OPENING MARKETS--Beijing, 31 Oct (ZHONGGUO XINWEN SHE)--Speaking today at the national conference on foreign economic relations and trade, Vice Premier Tian Jiyun said: China is going to import technology which has proved to be advanced at the expense of opening part of its domestic market. He said: One of the conspicuous shortcomings of the existing foreign trade system is displayed in the separation between industry and trade, the divorce between technology import and trade, and the divorce between imports and exports. Now that there is an unprecedentedly sharp competition in the international markets, we should make full use of this favorable opportunity to import advanced technology through purchasing equipment and goods from appropriate suppliers. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 1325 GMT 31 Oct 84 HK]

RETAIL SALES INCREASE--Beijing, October 30 (XINHUA)--China's total retail sales in the first nine months of this year reached 224.7 billion yuan (about 86.4 billion U.S. dollars), 13.3 percent up on the same period of last year, according to the State Statistical Bureau. Sales of consumer goods were 188 billion yuan (about 72.3 billion U.S. dollars), up 13.9 percent. Consumer durables and daily-use goods sold considerably better: refrigerators up 250 percent; television sets and washing machines over 40 percent; and cigarettes, wines and spirits, sugar, cakes, canned fruits and cold drinks between 10 and 35 percent. Woolen, silk and fur clothes were up 12.5 percent. The reform of the administrative structure of the commercial enterprises has promoted the circulation of commodities. Retail sales of commodities of state-owned, collective as well as private trading organizations all registered increases. Compared with the same period of last year, the state sector increased 7.4 percent, the collective sector 19.1 percent, and the private sector 70.7 percent. The turnover of the urban and rural peasant markets reached 32 billion yuan, up 11 percent. [Text] [Beijing XINHUA in English 1507 GMT 30 Oct 84 OW]

CSO: 4006/145

FOREIGN TRADE AND INVESTMENT

PARIS BANKER FAVORS PRC ECONOMIC COOPERATION

OW181148 Beijing XINHUA Domestic Service in Chinese 1238 GMT 15 Nov 84

[Report by reporter Yang Qi]

[Text] Paris, 14 Nov (XINHUA)--(Jean Defrachel), board director of the French Lyons Credit Bank, held a reception in Paris this evening to introduce 80 French enterprises to Cao Keqiang, Chinese ambassador to France, and representatives of Chinese enterprises stationed in France with a view to promote still closer cooperation between French and Chinese enterprises.

(Defrachel) said at the reception that French economic circles were keenly interested in Premier Zhao Ziyang's visit to Europe last summer and the recent 3d Plenary Session of the 12th CPC Central Committee. He believes the economic relations between France and China should be "more vigorously" developed both at present and in the future. It was precisely for this purpose that the Lyons Credit Bank selected from France's medium-size and small enterprises some 80 companies with relatively sound economic and technological conditions as the first batch to be introduced to China. They include companies in electric power, electronics, robots, loading and unloading and transportation, mining equipment and farm products processing. A second batch of French enterprises will be introduced in the future.

In his reply speech, Chinese Ambassador Cao Keqiang first thanked the Lyons Credit Bank for its good intention. He said, the emphasis of investment under China's Seventh 5-Year Plan is on the renovation of its existing enterprises. He hoped the French industrial circles pay attention to developing cooperation with China's various localities.

The French Ministry of Industry and Ministry of External Relations sent representatives to tonight's reception.

The Lyons Credit Bank is France's third largest and the world's fifth largest bank. It has offices in Beijing, Guangzhou, and Shanghai.

CSO: 4006/145

FOREIGN TRADE AND INVESTMENT

GUANGDONG GOVERNOR MEETS BRITISH BUSINESSMEN

OW201638 Beijing XINHUA Domestic Service in Chinese 1226 GMT 17 Nov 84

[Text] London, 16 Nov (XINHUA)--While meeting with representatives of the British Group of 48 this morning, Guangdong Governor Liang Lingguang stressed that henceforth, China will actively expand economic cooperation and trade contacts with various countries and regions throughout the world and that foreign businessmen are welcome to enter into economic cooperation in Guangdong, adding that both consortia and medium-sized and small entrepreneurs are welcome to invest in Guangdong. He said that if they come, the province will provide them with preferential conditions and convenient arrangements.

The British Group of 48 has had friendly trade contacts with China for 23 years. The Chinese economic delegation of the Guangdong Provincial Government arrived in London on 15 November. Its main purpose is to inspect the exploitation and utilization of petroleum and natural gas as well as the electronic industry.

While meeting with the representatives of the Group of 48 today, Liang Lingguang told them about the achievements Guangdong has scored since it put into effect the policy of opening to the outside world. He stressed that in the next few years, foreign businessmen are welcome to enter into economic cooperation with Guangdong Province in the fields of energy and transport, communication services, transformation of industrial enterprises, as well as in the exploitation and utilization of natural resources, and in developing new industries.

The delegation also visited the Ministry of Trade and Industry today and exchanged views on bilateral economic cooperation and with a high-ranking official in charge of energy, communications, and electronic industry.

The delegation expressed much interest in the Chinese-language-typing computer introduced by the (Syntax) Company, Ltd, of Britain. It has invited the company to take part in a computer exhibition to be held in Guangdong next year.

CSO: 4006/145

FOREIGN TRADE AND INVESTMENT

FUJIAN ADOPTS SPECIAL FOREIGN INVESTMENT POLICY

OW060931 Beijing XINHUA Domestic Service in Chinese 0807 GMT 4 Dec 84

[Report by JINGJI RIBAO reporter Tan Peng and XINHUA reporter Chen Naijin]

[Text] Fuzhou, 4 Dec (XINHUA)--To attract more Overseas Chinese and foreign investment and accelerate Fujian's economic development, the Fujian Provincial People's Government recently decided to adopt a special policy and flexible measures for enterprises run as joint ventures, by cooperative management, or with exclusively foreign investment with regard to taxes, marketing, and management and to allow them more favorable terms.

The main points of the policy and measures are:

Customs duty and unified industrial and commercial import tax are exempted for the following goods: production, management, and construction equipment imported by enterprises run as joint ventures, by cooperative management, or with exclusively foreign investment as part of their investment; raw materials, components, spare parts, and packing materials imported for producing export products; transport and office equipment imported for use by the enterprises; and home appliances of foreign businessmen. Except for products prohibited by the state from being exported, export products of these enterprises are exempted from customs duty and unified industrial and commercial tax. Enterprises will be granted favorable income tax rates for projects requiring advanced technology and for energy, communications, and port construction projects.

Foreign enterprises which truly provide advanced technology, production techniques, and equipment and those whose products our country is unable to produce for the time being or is unable to produce in sufficient amounts are allowed to market a certain percentage or most of their products domestically.

It is necessary to draw on other countries' advanced experience and manage joint ventures well. The boards of directors of joint ventures are their organs of highest authority. Joint ventures have the power to decide on their own development plans, production and management plans, and labor wage plans. The departments concerned in charge of enterprises are not allowed to assign mandatory production and management plans to joint ventures. They are allowed to directly purchase, either from international

or domestic markets, needed raw materials, fuel, equipment, and spare parts. They are allowed to sign all kinds of economic contracts with domestic and foreign companies. They may raise renminbi or foreign exchange capital from either domestic or foreign banks for carrying out production and management activities. They have the authority to establish their own financial and management systems, decide on their profit-sharing plans, and draw up budgets and final accounts.

CS0: 4006/145

FOREIGN TRADE AND INVESTMENT

JIANGSU VICE GOVERNOR ON FOREIGN TRADE MEASURES

OW222222 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 19 Nov 84

[Text] At a press conference yesterday afternoon that was sponsored by the Jiangsu Provincial People's Government, Zhang Xuwu, vice governor of Jiangsu, briefed the reporters on Jiangsu's economic development and its use of foreign capital and importation of foreign technology. Reporters from 10 Hong Kong newspapers, reporters of the central press units stationed in Jiangsu, and reporters of various provincial media attended the press conference.

Briefing the reporters on the development of Jiangsu's foreign economic relations and trade, Vice Governor Zhang Xuwu said: Jiangsu has so far set up 15 provincial trade corporations which have established trade relations with over 130 countries and regions around the world; and the province has established over 200 trade agencies in foreign countries, and so a relatively reliable marketing network has been established. He continued: Jiangsu, which exports more than 1,000 types of goods, has become one of the nation's 6 major exporters. Since 1978, Jiangsu has adopted active measures to attract foreign capital and advanced technology needed for transforming the province's outmoded enterprises by establishing such businesses as processing or assembling on order, compensatory trade, cooperative production, joint ventures, and leasing services. By the end of last October, Jiangsu had approved 1,396 projects using foreign capital. Among these, over 800 have started operation and have yielded good economic results. Jiangsu has also approved the construction of 16 joint ventures. The investors came from Japan, Sweden, the Philippines, and Hong Kong.

The vice governor also briefed the reporters on Jiangsu's plans to utilize foreign capital and import advanced foreign technology. He said: The equipment of a total of 69,000 large and medium-size enterprises in Jiangsu must be replaced systematically according to plan. In the next 2 or 3 years, the equipment of between 500 to 600 enterprises shall be replaced or transformed, and approximately \$500 million will be needed for this.

FOREIGN TRADE AND INVESTMENT

FUND-RAISING COMPANY ESTABLISHED IN FUJIAN

OW191401 Fuzhou FUJIAN RIBAO in Chinese 5 Nov 84 p 1

[Text] On 30 October the Fujian Provincial People's Government approved the establishment of the "China Bamin Group Company Limited" [Zhongguo Bamin Ji Tuan You Xian Gongsi 0022 0948 0360 7044 7162 0957 2589 7098 0361 0674], which will be jointly set up by the Fujian Provincial Planning Commission, the Fujian Provincial Treasure Department, the Fujian Provincial Supply Headquarters, and the Fuzhou Branch of the Bank of China.

The company is a multipurpose state enterprise under the provincial people's government. Entrusted by the provincial government, it will, by using economic means and enterprise management methods, organize or entrust import companies with the responsibility to flexibly use foreign exchange, create new financial resources, actively raise funds for key construction projects, and make contributions to accelerating the province's "four modernizations" work.

The main areas of its business are: entrust foreign trade enterprises with the responsibility of importing materials and commodities with foreign exchange and surplus funds of all localities to meet the needs of production, construction, and market demand; commit departments concerned (or companies or enterprises) with the responsibility of promoting technical cooperations with imported materials and commodities; use economic means to circulate and regulate idle foreign exchange of all departments, localities and enterprises; deal in other businesses that will help raise funds by following the province's special policies and regulations on adopting flexible measures.

CSO: 4006/145

FOREIGN TRADE AND INVESTMENT

BRIEFS

GUANGDONG IMPORTED MATERIAL CIRCULAR--With a view toward supporting the family members of Overseas Chinese and Hong Kong and Macao compatriots in developing production and becoming rich through labor with the assistance of their parents, spouses, and children abroad and in Hong Kong and Macao, the General Office of the provincial government issued a circular on 5 September, allowing the family members of each Overseas Chinese and Hong Kong and Macao compatriot to accept up to 20,000 yuan in imported means of production. However, goods the state does not allow to be imported shall not be imported. Those goods the state does allow imported must be needed for production carried out by the family members themselves and, in principle, cannot be sold or transferred. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 9 Sep 84 HK]

SHANXI DELEGATION RETURNS--On 14 October, an 11-member Shanxi provincial economic delegation headed by Governor Wang Senhao returned home after concluding its observation tours in the FRG, Italy, and France. During their tours of these countries, they visited 22 plants and held several talks with plant officials on establishing relationships of economic and technical cooperation, attaining desired goals. [Summary] [Taiyuan SHANXI RIBAO in Chinese 15 Oct 84 p 1 SK]

WEST GERMAN DELEGATION IN SHANXI--At the invitation of Wang Senhao, governor of Shanxi Province, an economic delegation of North Rhine Westphalia state of the FRG arrived in Taiyuan city on 17 October. After its arrival, Governor Wang Senhao and personnel concerned received the delegation and held a talk with them. On the evening of the same day, Governor Wang Senhao gave a banquet in honor of the delegation, at which an agreement on economic and technical cooperation between the province and the FRG state was signed. That same night, the FRG delegation left Taiyuan for Beijing municipality by train. [Summary] [Taiyuan SHANXI RIBAO in Chinese 18 Oct 84 p 1 SK]

SINO-JAPANESE JOINT VENTURE--Jinan, 29 Oct (XINHUA)--A machine for making extremely thin plastic film was formally put into production at the Laiwu Light Industrial and Plastic Machinery Plant in Shandong on 29 October. The manufacture of the machine is a joint venture of the China Light Industrial and Foreign Economic and Technical Cooperation Company and the Japan Plastics Company. [Excerpt] [Beijing XINHUA Domestic Service in Chinese 1228 GMT 29 Oct 84 OW]

SHANGHAI FOREIGN ENTERPRISE CONTROL--Starting from November, the Shanghai Municipal Bureau of Industrial and Commercial Administration will have approval, registration, licensing, and management supervision powers over permanent agents of enterprises abroad, as well as enterprises of joint Chinese-foreign investment or cooperation, and enterprises solely financed by foreign businessmen in Shanghai. This was the decision recently made by the State Administration for Industry and Commerce. [Text] [Shanghai City Service in Mandarin 2300 GMT 3 Nov 84 OW]

HUNAN FULFILLS EXPORT QUOTA--Hunan Province fulfilled its 1984 quota for export 3 months ahead of schedule. The amount of exports throughout the province by the end of September was \$330.05 million, an increase of 20 percent over the same period last year and a record. The prices of 56 main commodities whose value accounts for about 80 percent of the annual total amount of the exports throughout the province increased by an average of 8.1 percent this year. As a result the foreign exchange earnings increased by \$18.51 million. [Summary] [Changsha Hunan Provincial Service in Mandarin 1100 GMT 6 Nov 84 HK]

HENAN EXPORT SALES--At the autumn export commodities fair of 1984 in Guangzhou, which has just concluded, the sales volume of export goods of Henan Province reached as much as \$80 million, an increase of 75 percent compared with the same autumn fair period of last year. This figure has topped the highest level in all previous fairs. Of all the export items, transactions on textiles, rugs, and native produce have far exceeded the targets originally envisaged. The good results were due to the efforts of various provincial import and export corporations and the abundant supply of goods with flexible prices. On the basis of the established business connections, relations with new customers have been established, which has facilitated sales of some new items offered on the market. [Summary] [Guangzhou Henan Provincial Service in Mandarin 2300 GMT 12 Nov 84 HK]

JIANGSU PROJECT IN SOMALIA--An office building, housing Somalia's Pasture Land Bureau, the first project contracted by the Jiangsu International Economic and Technical Cooperation Company through public bidding overseas, was recently completed and handed over to its users. Somali First Vice President Lieutenant General Samantar attended the ceremony marking the completion and cut the ribbon. The construction of the building was financed by the World Bank, and carried out by the Nanjing City Housing Construction Company. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 14 Nov 84 OW]

ZHEJIANG FOREIGN CAPITAL USE--Zhejiang has achieved good results in utilizing foreign funds and important advanced technology and equipment for its light and textile industries. Since 1979, the province has approved 16 projects, using foreign funds, and 86 projects, using imported technologies. Of these projects, 27 have been completed and put into production, increasing annual output value by 148 million yuan and taxes and profits by 11 million yuan. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 14 Nov 84 OW]

MATERIALS BUREAU, TRUST CORPORATION ACCORD--Beijing, November 17 (XINHUA)--The State Bureau of Materials and Equipment signed an agreement today aimed at making its import and export business more economically efficient. The agreement with the China International Trust and Investment Corporation (CITIC) enables the bureau to organize import and export orders jointly with CITIC, or to let CITIC deal with the orders independently. It also enables the bureau to set up and place orders with independent corporations, which will be responsible for their own profits and losses. The state bureau administers the supply of major materials in China such as technology, machinery, metals, chemicals, timber and building materials. CITIC has wide international contacts, and is therefore well-placed to find foreign buyers and suppliers. The agreement was signed by state bureau director Li Kanglin and CITIC President Xu Zhaolong. Present at the signing ceremony were State Councillor Song Ping, State Economic Commission Minister Lu Hui and Han Yiren, chairman of CITIC. [Text] [Beijing XINHUA in English 1252 GMT 17 Nov 84 OW]

FOREIGN TRADE SHOWS--Beijing, November 19 (XINHUA)--Today saw the opening of a foreign food-processing and packaging exhibition in Hangzhou, capital of Zhejiang Province, and a GDR electronics exhibition in Shanghai. The Hangzhou food-processing and packaging equipment exhibition has on display 100 items of machinery from 36 firms in 13 countries, as well as Hong Kong and Macao. One exhibit, an automatic hard ice cream line can turn out eight separate products. During the exhibition period--until November 21 technical forums are planned. Zhejiang has more than 1,000 food factories, with a combined output value ranking fourth in the country. The five-day electronics exhibition in Shanghai is being held in cooperation with the German Democratic Republic. On display are mainly computers and office computers, including office facilities. [Text] [Beijing XINHUA in English 1641 GMT 19 Nov 84 OW]

QUALITY EXPORT COMMODITIES AWARDS--Beijing, November 20 (XINHUA)--China will start giving awards next January to famous Chinese export commodities that win international prizes. This was announced by Chen Yunxi, state councillor and minister of foreign economic relations and trade, at a national conference on foreign trade which ended here on Monday. Chen said quality goods should be selected for export and more famous brands should be developed to better meet the needs of the international market, she said. While priority would be given to technical innovation in enterprises that put out export goods, she said, management should be strengthened to achieve economic results. The decision-making powers of the enterprises will be protected and no government departments should interfere with them, she added. Effective steps should also be taken to encourage the workers' enthusiasm and creativity to the full. Chen stressed that while carrying out foreign trade transactions while calling for strict observation of the relevant trading rules and regulations of the state and the enterprises' departments. [Text] [Beijing XINHUA in English 1048 GMT 20 Nov 84 OW]

SHANGHAI COOPERATION CONTRACTS--Shanghai--The China International Trust for Foreign Economic and Technological Cooperation (CITFC) announced today that it has signed contracts totaling \$10.27 million with various countries in the last 10 months.

door, and its business is booming rapidly, according to Zhou Xiaolin, its general manager. The corporation has been involved in discussing 100 projects in 32 countries, Zhou said. The board of directors was founded on Saturday, and on Sunday, SFECO signed a \$47.80 million contract in Bangkok. Wang Wenjun, vice-general manager of the corporation told CHINA DAILY yesterday. SFECO also signed a 1.90-million guilder (\$0.575 million) contract with the Dutch trading company Cheng Ho in Shanghai today, to open a Shanghai restaurant in Rotterdam. An agreement with a 5-million guilder joint venture was also signed here between SFECO, China Cross-Ocean, China National Chartering Corporation, and Cheng Ho. The four sides will start an "Oriental Paradise" in Holland. SFECO will send five groups abroad to investigate projects next month, Wang told CHINA DAILY. SFECO has provided 800 people for technical and labour services in 11 countries and areas, and 400 more will be sent abroad soon. [By Zhen Fan] [Text] [Beijing CHINA DAILY in English 23 Nov 84 p 2 HK]

GIFT TO TANZANIAN VILLAGE--Dar es Salaam, November 24 (XINHUA)--Chen Muhua, China's state councillor and minister of foreign economic relations and trade, has donated 400,000 Tanzanian shillings to Engaruka Village in northern Tanzania for construction of an irrigation project. Chen Muhua toured the Masai village of Mombali District in the region of Arusha at the invitation of late Prime Minister Sokoine during his visit to Tanzania last year. Mombali is the late prime minister's home down. The Chinese state councillor was awarded the title of honored villager of Engaruka. Chinese plenipotentiary to Tanzania Hu Gangqin, on behalf of Chen Muhua, handed here today the donation over to Kinoo Gombale-Mwiru, minister of state in the Prime Minister's Office. [Text] [Beijing XINHUA in English 1396 GMT 24 Nov 84 0005]

SHANGHAI DEALS WITH NETHERLANDS--Shanghai, November 26 (XINHUA)--Shanghai and the Netherlands have signed deals to build a restaurant and an amusement complex in joint ventures in the Netherlands. The Shanghai Foreign Economic and Technical Cooperation Company will build the restaurant in Rotterdam in cooperation with the Dutch company, "Cheng Ho." This will be Shanghai's first joint venture in Western Europe. The "Shanghai City Restaurant", with an estimated investment of 1,950,000 guilders (1,550,000 yuan), will feature Chinese, European and Shanghai cuisine, prepared by top chefs from Shanghai. It will open early in 1985. Another venture in Rotterdam, the "Oriental Paradise", will consist of jointly the "Cheng Ho" trading company and three Chinese partners--the National Foodstuffs Company, the China National Chartering Company and the China National Foreign Trade Transportation Corporation. The complex, which will cost 50 million guilders (40 million yuan), will be built on the quay of Rotterdam harbor. It will consist of a Chinese restaurant, a ballroom, a department store, an amusement center, a garden and a hall of models of ancient Chinese architecture. [Text] [Beijing XINHUA in English 1396 GMT 26 Nov 84 0005]

CHINA'S GROSS NATIONAL PRODUCT--Beijing, November 28 (XINHUA)--China's total gross national product in 1983 was 5.4 billion yuan (10.8 billion U.S. dollars), up 10.2 percent from 1982, according to Chen Muhua, state councillor and minister of foreign economic relations and trade.

China has had a favorable foreign exchange balance for the past three consecutive years, Chen told a national trade management meeting which opened here today. In the first 10 months of 1984, China's total foreign trade reached 35.37 billion U.S. dollars, 12.4 percent up over 1983, with exports surpassing imports by 4.33 billion U.S. dollars. [text] (Beijing XINHUA in English 1619 GMT 28 Nov 84 04)

MALI SUGAR PRODUCTION AID--Bamako, November 27 (XINHUA)--A sugar-producing complex with Chinese experts taking part in its management was inaugurated in southern Mali today. The Chinese participation is decided under a protocol signed by the two governments in early August. Chinese experts will take part in its management in production, planning, labor organization and financial affairs. The complex includes two refineries and two sugar plantations totalling 5,000 hectares. For sake of management failure, Mali had asked for Chinese participation in the management. Malian Minister of Agriculture Fagnon Ama Kone said at a ceremony that the sugar complex serves as an example of friendly cooperation between Mali and China. Chinese Ambassador to Mali Zhao Haiping noted that the co-management of the complex by Mali and China marked a new stage of cooperation between the two countries. [text] (Beijing XINHUA in English 1622 GMT 28 Nov 84 04)

LIAONING CONTRACTS WITH FOREIGN FIRMS--Shenyang, November 30 (XINHUA) - Liaoning Province's machinery industry signed 55 contracts with foreign businesses on upgrading its products with foreign funds and technology in the first 10 months of this year, according to local authorities. The projects will draw 24.22 million U.S. dollars from overseas, exceeding the total brought in from 1978 to 1983. By the end of this year, the industry expects to sign 14 more contracts involving imports worth 11 million U.S. dollars. The deals mainly cover instruments, motor vehicles, electrical appliances and heavy-duty machinery in other types. Liaoning, in northeast China, is the country's largest machinery center. From 1978 to 1983 its machinery industry signed 41 contracts with foreign businessmen, amounting 20 million U.S. dollars. [text] (Beijing XINHUA in English 1235 GMT 30 Nov 84 04)

OVERSEAS BUSINESS (AMERICAN)--China United International Import Corporation (CUIIC) will set up three companies to promote economic and technical exchanges with foreign firms, Tom Changlin, deputy president of CUIIC, announced at a reception in Beijing today. The International Trading Company, the Spares and Components Company, and the Technical Trading Consultant Company, all located in Beijing, would start business on December 15 with the approval of the Ministry of Foreign Economic Relations and Trade, PRC. CUIIC will be the direct beneficiary under CUIIC. The three companies are authorized to deal in foreign trade and foreign trade on their own. The three will operate in foreign trade, foreign loans, credits and grants, and foreign investment, foreign trade and commerce, providing consultation information on foreign trade, and other businesses entrusted by the government. [text] (Beijing XINHUA in English 1 Dec 84 p 2 EE)

RECORD FOREIGN EXCHANGE RESERVES--China's foreign exchange reserves topped \$16.99 billion in July this year, the highest ever, then dropped to \$16.56 billion in August and came back to \$16.67 billion, according to financial statistics released by the People's Bank of China yesterday. The foreign debt increased \$264 million from the end of June to reach \$3.75 billion by the end of September. Gold reserves remained unchanged at 12.67 million troy ounces. China's assets with the International Monetary Fund totalled 6.516 billion yuan (\$2.33 billion). Its liabilities with the IMF were 6.24 billion yuan. Domestic bank deposits climbed to 291.59 billion yuan (\$104.88 billion) compared with 278.45 billion yuan three months ago. Of the total, 71.79 billion comprised urban residents' savings and the rest involved enterprises and government deposits. Outstanding bank loans totalled 357.76 billion yuan (\$128.69 billion). Rural credit co-operatives held 50.76 billion yuan in deposits in September, compared with 47.24 billion yuan in June. [Text] [Beijing CHINA DAILY in English 5 Dec 84 p 2 HK]

CSO: 4006/145

SPECIAL ECONOMIC ZONES

ECONOMIC REFORM IN SHENZHEN DISCUSSED

HK080833 Beijing RENMIN RIBAO in Chinese 3 Nov 84 p 2

[Article by Liang Xiang [2733 3276], Secretary of the Shenzhen City CPC Committee: "A Probe Into the Reform of the Economic Structure in Shenzhen Special Economic Zone"--passages within slantlines published in boldfaced]

[Text] At present, the reform of China's economic structure has entered a new stage, shifting from the rural to the urban areas. Under such circumstances, what is the situation like in the reform of the Shenzhen Special Economic Zone? This is a question people have been following with interest.

Since the establishment of the Shenzhen Special Economic Zone, the CPC Central Committee and the Guangdong Provincial CPC Committee have repeatedly asked the special zone to serve as a "vanguard" in opening to the outside world and as an "experimental site" for urban reform. Since 1980, the special zone has conducted a series of explorations and experiments in various fields, such as the expansion of the decision-making power of enterprises and the systems of circulation, distribution, and administration and management, thus stimulating the development of the special zone.

/1. Reforming the enterprise management system and expanding the decision-making power of enterprises./ Expansion of the decision-making power of enterprises serves as a central line in the reform of the enterprise management system. Over the past few years, the state and collective enterprises in the special zone have extensively implemented the director (manager) responsibility system, under which the directors (managers) possess the power to direct production and management. The enterprises operate independently, practice independent accounting, and assume sole responsibility for their profits or losses.

/2. Reforming the management system of capital construction in order to suit the development of the special zone./ In 1980, with the start of the capital construction, the special zone should no longer apply the managed method of exclusive sale and distribution. The policy was to let the special zone reform. For example, with regard to organizational management, we have discarded the conventional method of effecting administrative distribution and dividing the forces to ensure soundness and practiced the "five unities." We have set up development companies for the development of land and industry section so that

we can draw up plans for development of a piece of land, complete all the building projects on it, and attain results from it. We have also placed buildings and houses as well as the utilization of land on a commercial basis. With regard to the designs of projects and the management of construction, we have discarded the previous practice of "government" monopoly and applied a new method of appraising designs through comparison, inviting tenders for construction projects, and implementing the contract system for operation and management within the enterprise from one level to another. In this way we have met the needs for quick construction progress, low building cost, better economic results, and good quality in more than 400 projects. At the beginning, the Jiangsu Provincial Construction and Installation Company, which undertook the construction of the Huxing Park building in Shenzhen, could finish only one story every 10 days. Later, it succeeded in finishing one story in 4 days, surpassing the level attained in Hong Kong of building one story in 7 days. It also attained great successes in ensuring excellent projects and building quality. In building the 53-story international trade center building, we created a new record in building a structural story in 3 days by adopting a slip form method, thus attaining an advanced world level for the same trade. In finding the sources of construction funds, the special zone has also carried out bold reforms. In the past it was impermissible under the financial system to use credit funds in building infrastructure. But the special zone has energetically obtained loans from state banks in order to engage in municipal construction and land development. It has adopted a method of "rolling snowballs" to accelerate the circulation of funds.

3. Reforming the circulation system in order to suit the needs of regulation by market mechanism./ The economy of the special zone is of the "extraversive type." In commerce and foreign trade, it is faced with numerous economic forms and operation methods. However, under the previous commercial system only the state commerce carried out independent operation in the special zone. It had few channels, numerous links, and a slow turnover. This should gradually be changed into an open system with multiple channels, fewer links, and quick turnover. It is necessary to discard the conventional wholesale tiers, to break the bounds of different trades, and to implement a system of engaging in one primary trade as well as diversified undertakings, integrating wholesale with retail business and stimulating competition. With regard to the foreign trade system, we have changed the previous situation under which the state enterprises carried out independent operation and the domestic trade was separated from the foreign trade by integrating industry with commerce and agriculture with commerce, merging domestic with foreign trade, making production, supply, and marketing a coordinated process, organizing imports by various channels, and conducting business in a lively way. The foreign trade units, however, have extensively instituted the operation responsibility system of "contracting for the earning of foreign exchange" from one level to another. They have practiced unified accounting for profits or losses, thus reducing losses in foreign trade and increasing foreign exchange income. With regard to the price system, by proceeding from the actual conditions in the special zone, we allow the simultaneous existence of planned, floating, and free prices and bring into full play the role of price as a lever. In this way, the

channels of the entire circulation field are unclogged and the market becomes alive.

4. Reforming the labor employment system in order to realize the principle of "from each according to his ability, to each according to his needs." With regard to the labor employment system, we have discarded the method of unified recruitment and distribution and implemented a method of "open recruitment, which consists of voluntary registration, selection, and recruitment of superior people through assessment, and the signing of contracts." More than 100 units in the special zone have so far recruited more than 11,000 contract workers. This represents a breakthrough in the outmoded system of fixed workers. We have thus initially rectified the malpractice of grabbing "iron rice bowls" and eating from the "same big pot" and urged workers and staff members to exert themselves in cultural knowledge and technical skills and to improve their qualities. The phenomena which previously existed in enterprises, such as having more hands than needed, being slack in labor discipline, and lacking efficiency, have been improved. In the reform of the wage system, we have energetically instituted numerous forms of the floating wage system in our enterprises and implemented in state organs and other institutions a structural wage system integrating the wage for one's post with the whole wage and wage level according to one's record of service.

In carrying out various types of wage reform, we have integrated the wage system of workers and staff members with the performance of enterprises and linked an individual's contribution to the state with his performance, thus realizing a correct and reasonable relationship between the state, the collective, and the individual. The results of this practice have been satisfactory. After changing the allocation characterized by low wages and generous allowances, the enterprises were taken a big step forward toward the rectification of economic relations, thus arousing the initiative of the cadres, workers, and staff members in production, improving administration and management, and achieving better economic results. Take the Xianxia guesthouse for example. After instituting a floating wage system at the beginning of 1983, it succeeded in improving both its turnover and net profit by more than 100 percent and the productivity index. It also registered a big increase in the fixed capital turnover.

5. We have carried out personnel reform in order to suit the needs of the transformation of the economic structure and to step up the "four transformations" of the economic cadres and the non-CC cadres. We have gradually discarded the appointment system and introduced an employment contract system through election, retaining those who are elected and are competent and dismissing those who are elected but are incompetent. In this way we have cleared and provided a large number of young and middle-aged cadres and technical people. In the past, only 10 percent of the formerly technical cadres, or those with technical skills, could work in science and numerous forms of the work of this type. This type of distribution, such as transferring cadres voluntarily, dismissing cadres at certain intervals, asking cadres to change occupations, combining all with their present jobs, and so on. We shall continue to expand the rational flow of competent personnel and to further reform the appointment and election system. Since 1980, the

the proportion of transport and communications in the industrial structure will increase with the development of land, sea, air, and even oceangoing transport between the special zone and the hinterland. The management system of the special zone must also suit this change.

A key area in the development strategy of the Guangdong economy, the Zhu Jiang delta has a very broad prospect for development. The prosperity and stability of Hong Kong also have a strong bearing on the Shenzhen economy as the special zone is close to Hong Kong. These special characteristics make it necessary for the special zone to readjust its future management system accordingly.

If we consider the development of the Shenzhen Special Economic Zone in conjunction with that of the West Pacific economic rim, the whole country, and the whole province, the new system of the special zone is both an "open" and a "development" one. In its future reform the special zone should cater to the world, the future, and reality. And the success or failure of the reform of the economic structure in the special zone will depend on whether or not it is suited to "concentration on the four aspects" and the changes in the industrial structure, whether or not it has brought into full play the role of the "four windows" and, in particular, whether or not it has imported more foreign funds and advanced technology. In the final analysis, it will depend on the following two factors: Whether or not the social productive forces have rapidly developed and whether or not the people's livelihood has gradually improved.

Basing itself on this understanding, the Shenzhen City CPC Committee has placed the focal point of the future reform on the following three aspects:

/1. Making further efforts to reform the planned management system and bring into full play the role of regulation by market mechanism./

Although we have carried our reform in the planning system in the past, we have not taken a big step forward in bringing market mechanism into play. Therefore, the key to the reform of the management system in the future is to place the economic momentum of the special zone onto the track of giving scope to the leading role of market regulation under the guidance of state macroscopic planning, to make full use of the law of value, and to further apply economic methods to manage the economy. Macroscopically, the state should define the strategic objective for the development of the special zone and, in formulating its plans, including both the medium- and long-term planning and annual planning, the special zone should take into consideration the role of the law of value. In managing the economy, the special zone government must concentrate on the formulation of plans and policies, balancing, coordination, organization of cooperation, forecasting, guidance, supply of information, economic legislation, inspection, and supervision. With regard to production, supply, and sales between different enterprises, the special zone adopts the method of signing contracts to ensure the fulfillment of its plans.

In their economic activities, the enterprises in the special zone should, under the guidance of state planning, fully utilize such economic levers as price, wage, cost, profit, taxation, and interest rate, to regulate various links of reproduction, such as production, distribution, exchange, and consumption, and reduce administrative intervention to a minimum.

/2. Making further efforts to reform the administrative and management system so that the enterprises can become relatively independent commodity producers./ In carrying out its future reform, the special zone should still streamline administration and institute decentralization so that the enterprises can have more decision-making power in production, supply, and sales, as well as in manpower and financial and material resources, and become relatively independent commodity producers and exchangers, which can make swift, accurate, and flexible reactions to changes in the international market, thus strengthening the capabilities of the enterprises in international competition. While expanding the decision-making power of enterprises, it is necessary to intensify strictness with regulation, boldly instituting decentralization and exercising strict control where necessary. Being "strict" is also an important component of the reform.

/3. Making further efforts to reform the distribution system and implement the principles of free wage according to his ability and of more pay for more work./ Both within the enterprises and for laborers themselves, it is necessary to intensify responsibility with authority and benefit and to take material benefit as a basis. We should continue to reform the practice of paying low wages and introduce a comparison between units of paying appropriately high wages and continue to implement the principle of more pay for more work. In this place, we shall institute a policy of higher wage growth rates toward the laborers individually. That is to say, the wage level in the special zone should be higher than that in the hinterland, lower than that in Hong Kong. In this way we can stimulate production and to bring about development. It is necessary to link the income of laborers inside the zone with the performance of enterprises. Just as the saying goes, "The river rises, the boat goes up." When the enterprises are better run, the proposed labor efficiency and increased production, the income of the workers, the enterprises, and the individual laborers will all rise.

When the income of the workers is connected with the enterprises' production, promotion, consumption, and the latter's management, the zone will be characterized by "high production, high income, high consumption, and high efficiency" still for a long time.

The objective of the special zone is to become a model zone for income distribution, management, and the latter's management. The special zone will maintain a management system which is different from the management system of the hinterland. In the special zone, the enterprises will be relatively independent commodity producers and exchangers, and the laborers will be relatively independent commodity producers and exchangers. The enterprises will be able to make decisions on production, supply, and sales, as well as on manpower and financial and material resources. The enterprises will be able to make decisions on production, supply, and sales, as well as on manpower and financial and material resources. The enterprises will be able to make decisions on production, supply, and sales, as well as on manpower and financial and material resources.

regulation by market mechanism. Such a management system will enable the management bodies at various levels to be capable, vigorous, and highly efficient and enable the enterprises to be vigorous, to feel the pressure exerted on them, to generate motive power, and to raise efficiency. In this way we can break a new path which, on the basis of constantly improving economic results, enables production to increase steadily and the people to improve their livelihood and to become well-off.

CSO: 4006/145

SPECIAL ECONOMIC ZONES

SCIENTIFIC, TECHNICAL CENTER OPENS IN SHENZHEN

HK081408 Beijing ZHONGGUO XINWEN SHE in Chinese 1455 GMT 7 Nov 84

["Dispatch from Shenzhen" by reporter Zhan Moujun [6 24 6180 0193]: "An Exhibition and Sales Center for Advanced International Scientific and Technological Equipment and Products is opened in Shenzhen"]

[Text] Shenzhen, 7 Nov (ZHONGGUO XINWEN SHE)--An exhibition and sales center for advanced world scientific and technological equipment and products was opened today at the Shenzhen Scientific Equipment Export Service Company. The center will be open for 2 years. It will provide China with information and materials on the most advanced international science and technology of the 1980's and will help foreign businessmen conduct transactions. Representatives of science and technology from various provinces and cities of the country will come to the center on invitation to discuss and in groups to discuss business there.

The center is jointly sponsored by Hong Kong's Yee Yuen Company Limited of Hong Kong, the Shenzhen Scientific Equipment Export Service Company, the Far East Company Limited of Hong Kong, and Hong Kong's Ya Yuen (0008 6061) Exhibition Company.

Businessmen from 40 countries and regions including the United States, Canada, Europe, Australia, Japan, and Hong Kong, have taken part in the exhibition. On exhibit and for sale are more than 1,000 current products of the 1980's such as electronic parts, parts and instruments, computers and their accessories, medical equipment, glass and architecture equipment, photographic equipment, and industrial equipment. Exhibited at the opening ceremony today were some 300 scientific and technological products from 50 countries and manufacturers from 8 countries and regions including Japan, the United States, Australia, and Hong Kong.

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SPECIAL ECONOMIC ZONES

SHENZHEN'S LIVING STANDARD SEEN CLEARLY IMPROVING

OW051105 Beijing XINHUA Domestic Service in Chinese 013- TWT 2 Dec 81

[Report by reporter Wu Shishen]

[Excerpts] Beijing, 4 Dec (XINHUA)--XINHUA Editor's note: As a special economic zone, Shenzhen has some things peculiarly its own that are not seen elsewhere. Nevertheless, it is still not difficult for people to see what its practice shows. As long as good efforts are made in opening to the outside world and re-structuring the economic system, China will witness a rapid growth in social productive forces and a corresponding improvement in the material and cultural life of its people.

After their men completed on-the-spot investigation in Shenzhen, the State Council's departments concerned have found that, as the economy develops in this, the first special economic zone in China, some evidence also appears that its residents are leading a life at the "comparatively well-off level."

It has long been held by some critics who have been in constant opposition that the concept of "Shenzhen speed" assumes a line between the development of production and construction and the improvement in the living standard. In the 3 years from 1979 to the end of 1981, Shenzhen City saw a more than 10-fold increase in its industrial output value, redoubled and redoubled growth in revenue, and a steady rise in the people's living standard. At present, the average monthly wage of the workers and staff members in this new type city has reached 161 yuan, the annual per capita income for its peasants 840 yuan, and one-fifth of the 1980 households have joined the ranks of "10,000 Yuan households." Income increases have brought about changes in consumption. The residents now enjoy foods that are nutritious, clothes of high quality, and electric household appliances. Moreover, they now stress diversification of diets.

Tours have become the thing of still Shenzhen residents are doing. On Sundays, many families will all go for an outing in the city, sometimes with other family member joining in the fun. Even if only short distance pleasure trips costs dozens of yuan.

...the brilliant labor which has earned for the residents in
...the new life they enjoy today, and they are striving to acquire
...and skills in order to bring about an even happier tomorrow.
...all of the young workers and staff have attended various kinds of
...and technical courses at their own expense. Many of
...are active in microcomputer studies. It has also become the thing
...to hire a tutor for one's children.

...the changes that have taken place in the daily life of the
...some economists have commented that the Shenzhen people
...benefits of opening to the outside world and restruc-
...What the Shenzhen people have today is no
...of what there will be for the people of the whole country

...

PRC JOURNAL REVIEWS ASEAN ECONOMIC DEVELOPMENT

HK307601 Beijing JINJI WENTI YANJIU in Chinese No 4, 13 Oct 84 pp 19-23

[Article by Wu Zhisheng [0720 1807 3932]: "Some Reflections on the Economic Development of the ASEAN Countries"]

[Text] Since the 1960's, the five ASEAN countries, Indonesia, Malaysia, the Philippines, Singapore, and Thailand, have developed their economy relatively quickly and this area is regarded as one of the greatest economic growth rate areas in the world and is thus praised by foreign scholars as an "example" for the economic development of developing countries. However, since the beginning of the 1980's, there has emerged a general trend of decline in the growth rate of the five ASEAN countries. Foreign scholars have given quite a few explanations for this, but their views vary. This article aims to give some superficial views on the achievements, difficulties, and problems of the economic development of the five ASEAN countries in the past 20 years and on the prospects for their future economic development in order to objectively evaluate the economic development of ASEAN countries.

1. MAJOR Achievements in Economic Development

From the 1960's to the 1970's, the five ASEAN countries basically maintained a steady and relatively great economic growth rate. According to statistics, in the 1960's, the average economic growth rate of the five ASEAN countries was 7.4 percent, which was higher than both the 5.1 percent average growth rate of Western developed capitalist countries and the 5.9 percent average growth rate of all the developing countries. Since the beginning of the 1970's, Western developed capitalist countries faced the predicament of "stagflation," and their average annual growth rate has dropped to 4.2 percent. This has also affected all the developing countries and caused their average annual growth rate to decline to 5.1 percent. However, the average annual economic growth rate of the five ASEAN countries not only did not decline, but rose to 7.8 percent, a rise over 100 percent greater than of developed capitalist countries. From 1961 to 1980, the domestic material product of the five countries rose from 51,170 million to 218,350 million, an increase of 80 percent. The per capita GNP of the five countries in 1981 was respectively: 85,240 for Singapore, 81,840 for Malaysia, 3280 for the Philippines, 2770 for Thailand and 3350 for Indonesia. According to the

classification criterion of the World Bank, countries with a per capita GDP greater than \$410 are "middle-income countries" and therefore, the five ASEAN countries should be regarded as such. If the criteria of the United Nations in the classification of "semi-industrialized countries" is applied, all the ASEAN countries except Indonesia qualify as "semi-industrialized countries."

However, since the beginning of the 1980's, the economic growth rates of the five ASEAN countries have begun to drop. According to statistics, the real annual economic growth rate of the five countries declined from 7.6 percent in 1980 to 6.7 percent in 1981 and then to 3.3 percent in 1983. Singapore's dropped from 10.2 percent to 9.9 percent and then to 6.3 percent; Malaysia's dropped from 7.8 percent to 7.1 percent and then to 5.2 percent; Thailand's dropped from 5.4 percent to 4.8 percent and then to 4.2 percent; that of the Philippines dropped from 4.4 percent to 3.7 percent and then to 2.6 percent; and Indonesia's dropped from 9.9 percent to 7.9 percent and then to 2.3 percent. In 1983, except for the Philippines, whose growth rate continued to decline that of the other four countries slightly rebounded: Singapore's was 7.9 percent; Malaysia's was 5.6 percent; Thailand's was 5.8 percent; and Indonesia's was 4.5 percent. Judging by the above-mentioned figures, since the beginning of the 1980's, though a declining trend of growth rate has emerged in the economies of the five ASEAN countries, compared with the real average annual growth rate of capitalist countries (2.4 percent for 1980, 1.5 percent for 1981, and 0.5 percent for 1982), their growth rate was much higher and even now these countries are still one of the areas of quickest economic growth in the world.

Therefore, we think that since the beginning of the 1960's, the five ASEAN countries have in the main maintained a steady economic growth. Among Third World countries, these countries' achievements in economic development have been relatively outstanding. Some of their experiences are worthwhile for other developing countries to learn from and refer to.

II. Causes for, and Experiences From Quick Economic Growth

Apart from the relatively long-term stability in the political situation (this is a precondition for a country's economic development) in these countries, the main reasons for the five ASEAN countries achieving spectacularly quick economic growth are that, since the beginning of the 1960's, they have been able to formulate and implement, in the light of the reality in their countries and existing international conditions, those economic development policies geared to a "strategy of externally oriented development." On the one hand, they introduced funds and technology from Western developed countries to develop modern industries and agriculture at home and on the other hand, they conscientiously developed foreign trade, utilized their own rich natural and labor resources to vigorously develop the production of commodities for exports and thus promoted the development of their national economies.

In the process of implementing the above-mentioned policies of development, we think that the following questions are important and worth studying:

1. The methods of attracting foreign funds are to be selected and studied in the light of the reality and conditions in their own countries in order to find the methods that best facilitate the development of their economies. This has been one of the major causes for the relatively quick economic development in ASEAN countries. However, there are two kinds of methods to attract foreign funds: One is to attract direct investment of foreign private capital and the other is to negotiate foreign government or private loans. Which method is the most effective for developing these countries' economy at home? This is worth further investigation. Judging by the actual practice of the ASEAN countries, Singapore and Malaysia have mainly adopted the method of attracting direct investment, while the Philippines, Indonesia, and Thailand have mainly adopted the method of borrowing foreign funds. According to statistics, the proportion between direct investment of foreign private capital and foreign loans in the five countries are respectively: 98:2 for Singapore; 80:20 for Malaysia; 4:96 for the Philippines; 10:90 for Indonesia; and 14:86 for Thailand. These two methods have given rise to different economic results. In Singapore and Malaysia, the manufacturing industry has developed rapidly. From 1961 to 1980, the percentage of the output value of these countries' manufacturing industries in their GNP respectively rose from 11 percent to 30 percent and from 9 percent to 20.5 percent; and their average annual economic growth rates in the 1970's were the highest among the ASEAN countries, being respectively 8.9 and 7.8 percent. Manufacturing industries in the Philippines, Indonesia, and Thailand developed relatively slowly. From 1961 to 1980, the output value of those three countries' manufacturing industries in their GNP rose respectively from 20 percent to 25 percent, from 8 percent to 12 percent and from 13 percent to 20 percent. During those 20 years, the percentage of the output value of manufacturing industry of Singapore and Malaysia rose by 11.5 to 18 percent, while that of the Philippines, Indonesia, and Thailand rose by only 4 to 7 percent. Obviously, the above-mentioned two methods for attracting foreign funds have very different economic results. Of course, as conditions vary in different countries, there can be no general conclusion on the question of which method is better.

However, the nearly 20 years of practice of the ASEAN countries has proved that as long as the policies are correct, attracting direct foreign private investment is more advantageous than borrowing foreign funds and that it not only facilitates introducing Western advanced production technology and modern management experience, training scientific, technological, and economic management personnel, establishing rising industries, providing job opportunities and developing backward areas, but also enables these countries to utilize foreign private investors' international sales networks to market their products, promotes the diversification of the products of exports for these countries, and at the same time can help them avoid the situation of being up to their ears in debt. The ASEAN countries' establishment of export processing zones is in fact a major strategic measure to attract direct foreign private investment and promote the development of these countries' industries.

2. They have conscientiously developed foreign trade, fully utilized their own natural resources (or superior geographical conditions) and labor

resources, and vigorously developed and expanded the production of commodities for exports, thus "bringing along the development of the economy by exports." These are the major measures of the ASEAN countries in implementing its "strategy of externally oriented development."

In a world where the economies of various countries have become increasingly interdependent day by day, foreign trade is an important component of a country's national economy while exports hold a key position in a country's foreign trade. This is particularly important for ASEAN countries. For originally they were all colonies or semicolonies and one of the characteristics of their economic structure was a high degree of dependence on the economies of their suzerain states and a one-sided development of production for the export of one or several kinds of agricultural or mining primary products. The ASEAN countries have precisely proceeded from this reality, utilized their former historical relations, given full play to their advantages in resources and geological conditions, vigorously promoted the diversification of the production of commodities for exports, and increased the variety and quantities of the exports of their primary products. At the same time, on this basis, they have gradually developed various industries to process various kinds of raw materials for export and various kinds of manufacturing industries and increased the variety and quantities of the exports of processed raw materials and manufactured goods. On the other hand, these five countries have vigorously implemented the policy of carrying out multifaceted trade, continuously expanded the market for their foreign trade, changed the previous practice of concentrating their foreign trade on the market of their suzerain states and of a small number of Western capitalist countries, thus freeing themselves from the previous position of having their foreign trade monopolized by their previous suzerain states and enabling their foreign trade to develop quickly. According to statistics, the total volume of foreign trade of the ASEAN countries rose from \$8,068 million in 1960 to \$13,552 million in 1970 and then to \$132,599 million in 1980. The average annual rate of increase rose from 5.3 percent in the 1960's, lower than the world average annual rate of increase of 9.5 percent to 25.6 percent in the 1970's, higher than the world average annual rate of increase of 20.8 percent.

As the ASEAN countries grasped the link of exports in their foreign trade, during the 1970's, their average annual rate of increase in export volume rose sharply over the 1960's: In Singapore, it rose from 4.2 percent to 12 percent; Malaysia's rose from 5.8 percent to 7.4 percent; Indonesia's rose from 4 percent to 8.7 percent; Thailand's rose from 5.2 percent to 11.8 percent; and in the Philippines, it rose from 2.2 percent to 7 percent. In 1980, the percentage of these countries' volume of export in their domestic gross output value markedly increased: The rate of increase was 184.8 percent in Singapore, 58.3 percent in Malaysia, 31.3 percent in Indonesia, 19.4 percent in Thailand, and 16.8 percent in the Philippines. The rapid increase of export trade has augmented the accumulation ability of these countries. From 1961 to 1980, the ratios of the ASEAN countries' domestic investment to domestic output gross value rose sharply: It rose from 11 percent to 42 percent in Singapore, from 14 percent to 32 percent in Malaysia, from 8 percent to 21 percent in Indonesia, from 16 percent to 23

percent in Thailand, and from 16 percent to 30 percent in the Philippines. From this we can see that an indispensable element in the ASEAN countries achieving continuous and steady economic growth is that they have grasped opportunities, conscientiously developed their foreign trade, vigorously developed and increased their production of commodities for exports and made efforts to increase accumulation at home for expanded reproduction.

3. They have paid relatively great attention to the development of agricultural production. For the vast number of developing countries, agriculture is the foundation of their national economies. However, for a fairly long time after the end of World War II, many developing countries paid attention only to the development of industry, but neglected the development of their agriculture. This gave rise to an imbalance of proportion in their national economies. They had to rely on imports of grain to overcome the shortage of grain. This consumed large amounts of their foreign exchange and affected the speed of their industrialization. However, the five ASEAN countries (except Singapore which is a city country) have paid relatively great attention to agriculture.

During the initial period after they obtained their independence, Thailand was the only one of the five ASEAN countries that exported grain. This was a problem left over by colonialism. Since the beginning of the 1960's, Indonesia, the Philippines, and Malaysia have raised the goal of struggle for grain self-sufficiency. Through 20 years of effort, they have basically attained this goal. In the past, Indonesia was the greatest rice importer in the world and had to import on average over 2 million tons of rice every year. However, since 1980, it has been able to basically supply its own rice. The per capita rice consumption rose from 97 kg in 1968 to 131 kg in 1981. In 1976, the Philippines was able to supply rice by itself and the next year, it became a rice exporter. In 1956, Malaysia was only able to supply 45 percent of the rice it consumed, but this percentage rose to 84 percent in 1980. It has precisely been on the basis of vigorously developing grain production that the ASEAN countries have fully utilized their superior natural conditions, vigorously developed diverse industrial crops, changed the agricultural economic structure characterized by "uniform crops" that had taken shape in the course of history, and have thus adapted themselves to the relations of supply and demand in the world market and the situation whereby prices of primary products are always changing. By so doing they have continuously increased their exports of agricultural products and thus promoted the development of their industries. Practice has proved that the speed of the development of agriculture to a fairly great extent affects the growth rate of a country's domestic national products and speed of industrialization. Now, I will only take Indonesia, Thailand and the Philippines as examples to prove this: Indonesia's average agricultural growth rate rose from 2.7 percent in the 1960's to 3.8 percent in the 1970's, while the annual growth rate of its industry rose from 5.2 percent to 11.7 percent, and that of its gross domestic output value rose from 3.9 percent to 7.6 percent. That of Thailand's agriculture dropped from 5.6 percent to 4.7 percent, correspondingly, that of its industry dropped from 11.9 percent to 10 percent and that of its gross domestic output value dropped from 8.4 percent to 7.2 percent. That of the Philippines'

agriculture rose from 4.3 percent to 4.9 percent, as a result, that of its industry correspondingly rose from 6 percent to 8.7 percent and that of its gross domestic output value rose from 5.1 percent to 6.3 percent.

The above-mentioned facts prove that the relatively quick development of the economies of the ASEAN countries has precisely been based on a steady growth of agriculture, particularly on the continuous increase of grain production and on grain self-sufficiency. Though the development of agriculture and industry is not thoroughly in balance, the disparity between them is not large. From this we can see that, in the process of industrialization, we should not neglect the development of agriculture. This is extremely important for the vast number of developing countries. Just as was summed up in the World Bank's "World Development Report 1982," "For most of the developing countries, agriculture is still a key problem. For the development of agriculture determines the speed of a country's industrialization," and "agriculture has to be increased as quickly as the increase in their gross domestic output value."

4. They have correctly handled the relations between diverse kinds of economic factors and given play to the role of these factors. There are in the main three kinds of factors in the structure of capitalist ownership in the ASEAN countries: domestic state capital, domestic private capital, and foreign capital. This is a common characteristic that has emerged in the ASEAN countries since they obtained political independence, set out on a path of developing capitalist economies, and adopted a "strategy of externally oriented development." Therefore, how to satisfactorily handle the relations between these three kinds of capital and give full play to their roles in developing their economies is of extremely great importance for the ASEAN countries, where feudal economic forces are relatively strong in their rural areas, where their own economic foundation is relatively weak, and where the proportion of small producers in their economies is extremely great. Through nearly 20 years of practice, the ASEAN countries have accumulated relatively abundant experiences in this area.

Concerning the relations between attracting foreign capital and developing their national capital, through practice, the ASEAN countries have been quite clear on the guiding thought that attracting foreign capital is aimed at developing their own national economies in order to obtain genuine economic independence. In attracting foreign capital, these countries have gone from acting blindly to acting relatively consciously, from making no selections to making selections, and from acting without plans to acting in a relatively planned manner. They have summed up the following principle: It is imperative to bring the foreign capital that has been attracted into the orbit of their own economic development in the light of their goals at the different stages of their development. At the same time, they must prevent the phenomena of foreign capital controlling their important economic sectors or excluding and weakening their medium-sized and small private capital enterprises. For this reason, most of the ASEAN countries have stipulated some restrictions on the scope of activities of foreign capital, such as restrictions related to the economic sectors open to investment, the proportion of investment, the proportion of foreign staff and workers, the

percentage of local raw materials in the total amount of raw materials consumed, the scale of investment, the technology used, the profits from investment, and the foreign exchange of the invested capital. All these restrictions are aimed at preventing foreign capital from controlling their economic lifelines or hindering the development of their domestic capitalist economy. As they have relatively satisfactorily implemented policies combining the use of foreign capital with those restricting it, they have not only promoted the rapid development of their industry (for example, Singapore has quite effectively used foreign capital to develop its manufacturing industry, while Indonesia and Malaysia have very effectively used foreign capital to develop the petroleum industry), but have also greatly strengthened the capital of their own countries. Over the 20 years, their own capital has already come to occupy a dominant position in their national economies. From 1969 to 1980, the amount of fixed assets in Singapore rose by 650 percent, and 65 percent of these fixed assets was domestic capital investment. From 1971 to 1980, Malaysia's domestic capital accounted for 63.9 percent of the total investment in its industry, while foreign capital accounted for only 34.1 percent [figures as published]. From 1960 to 1979, Thailand's domestic capital accounted for 77 percent of the total of all investment projects (government investment not included), while foreign capital accounted for only 23 percent. The percentage contributed by Philippines' domestic capital in the total investment has gone up from 25-30 percent in the initial period after World War II to 65-70 percent at present. By 1979, Indonesia's domestic capital accounted for 75 percent of total investment. All this shows that foreign capital had indeed played an important role in the development of the ASEAN countries' national economies.

In developing domestic capital, it is imperative to satisfactorily handle the relations between state and private capital. The ASEAN countries have mainly adopted one of the following two methods in dealing with the development of state and private capital: One is to develop private capital mainly, a method adopted by Singapore and Malaysia; and the other is to develop state capital mainly, a method adopted by Indonesia. It is a question worth further investigation as to which method is more conducive to the development of the national economy in developing countries like the ASEAN countries which have followed the path of developing capitalist economies. However, judging by the practice of the above-mentioned countries over the past 20 years, the method adopted by Singapore and Malaysia is relatively more conducive to the development of their own economies. State capital in these two countries generally undertakes tasks concerning investment in basic social facilities and in the basic sectors of the countries' national economies and concerning the establishment of rising industries. For these sectors are either those which private capital is unable to invest in because of low profit rates or those linked with the economic lifelines of these countries which therefore must be directly controlled by the state. Private capital is allowed to operate in all other economic sectors, and thus its positive role is given full play. Through their state capital, these countries guide and support private capital and in particular the development of medium-sized and small capital enterprises. For example, after an industrial project invested in by the state has been put into operation and begun to earn profits, generally speaking, as many shares in

it as possible will be sold to private capital. By so doing, the state will be able to free funds for investment in other projects. State capital refrains from scrambling for markets with private capital and it does not undertake what private capital can undertake. These countries have given full play to the initiative of private capital and done their best to give play to the role of private capital in developing the national economy. Therefore, they have achieved relatively good results in developing industry. On the other hand, Indonesia has laid too much stress on the role of the state capital and has given priority to developing state capital. Thus it accounts for 60 percent of the total of various kinds of capital in the country, it has replaced private capital in many economic sectors, and it has restricted and impeded the development of small private capital. However, low efficiency is a universal problem in operating state-run enterprises, which are not only protected by high tariffs and subsidized by the government, but also often fail to pay taxes in accordance with plans; therefore, these enterprises are a heavy burden on the national economy. A comparison of the change in the percentage of gross industrial output value and export volume contributed by the three countries' manufacturing industries shows the difference in their effects. Compared with 1960, in 1980, the proportion of Indonesia's industrial output value to its gross domestic output value rose from 14 percent to 42 percent, an increase of 200 percent, but the proportion of the output of the manufacturing industry to its gross industrial output value dropped from 57 percent to 21 percent. This was an inevitable consequence of Indonesia's development of the extraction industry (which mainly consists of petroleum and natural gas exploitation) mainly by state capital. On the other hand, the contribution of Singapore's industry to its gross domestic output value rose from 18 percent to 37 percent and the contribution of its manufacturing industry to its gross industrial output value rose from 66.6 percent to 75.6 percent. Similarly, the contribution of Malaysia's industry to its gross domestic output value rose from 18 percent to 37 percent, while the contribution of its manufacturing industry to its gross industrial output value rose from 50 percent to 62 percent. At the same time, the proportion of industrial manufactured goods exports in their total export volume changed as follows: Indonesia's rose from 0.5 percent in 1960 to 5 percent in 1981, an increase of a mere 4.5 percent. During the same period, Singapore's and Malaysia's rose respectively from 26 percent to 66 percent and from 6.5 percent to 20 percent, increases of 40 percent and 13.5 percent respectively. These facts show that Singapore and Malaysia are industrialized to a greater extent and have achieved better economic results than Indonesia; for at present the level of development of the manufacturing industry is a major index for a country's level of industrialization.

From this we can see that Singapore's and Malaysia's quicker industrialization and greater economic growth rate compared to other ASEAN countries is inseparably related to their practice of relatively satisfactorily handling the relations between state and private capital and to developing mainly private capital. Of course, it is necessary for state capital to exist and develop, but it should not develop without taking into account the reality of the relatively backward and underdeveloped productive forces in these countries' economies. Therefore, a developing capitalist country should

earnestly avoid blind imitation of the so-called thorough "nationalization" and the centralized economic management of the so-called "planned economy," and should allow private capital or even individual economy to exist and develop. Such blind imitation does not conform to the national conditions of a capitalist country. Some developing countries have already drawn profound lessons from this kind of erroneous practice and we should be on our guard against it. The practice of giving play to the role of diverse economic factors, in particular giving full play to the positive role of private capital, especially, medium-sized and small capital in developing national economy under the guidance and with the support of state capital is the only one that is relatively better suited to these countries and better conforms to the laws governing the development of capitalist economy.

III. Existing Problems and Prospects for Development

During the past 20 years, the ASEAN countries have achieved a relatively quick economic development, but some problems have also emerged and are becoming increasingly serious. These problems have already become obstacles to the further development of the economies of the ASEAN countries. The more pressing problems are: 1) These countries' economic development seriously depends on the international market, particularly the markets of major developed capitalist countries. Any trouble in these markets, for example, the economic crisis of the capitalist world that began in 1979, will affect the economic development of the ASEAN countries and cause them relatively serious economic losses. 2) Their burden of foreign loans is becoming increasingly heavy. In order to speed up their economic development, some ASEAN countries have borrowed heavily from abroad, and particularly in the past few years, the amounts of their foreign loans have shot up. It is reported that Indonesia and the Philippines already rank among the 10 heaviest borrowers in the world, with Indonesia ranking 8th and the Philippines ranking 10th. Foreign loans have already become a heavy burden that hinders the further development of their economies. For example, since the middle of last year, the Philippines has been experiencing a debt crisis, which it has been unable to extricate itself from even now. The crisis has seriously stagnated its national economy. This is a grave lesson. 3) There is an increasingly serious problem of unequal distribution of national income, great disparity between the rich and the poor, and polarization. In addition, there are some other problems.

These problems can be roughly classified into three types by their nature: One is the defects of the capitalist system itself, which are impossible to completely eliminate, but can be reduced through readjustment by certain policies. For example, the problem of disparity between the rich and the poor and polarization is not serious in Singapore, which has relatively satisfactorily handled this problem compared with other developing countries. Other problems are those left over by history, such as the remnants of colonial economic structures. These problems require long-term efforts to gradually eliminate. The third type is problems that have emerged in the process of the implementation of their principles and policies and the problems that have emerged because of changes in the international economic situation. These three types of problems often mingle and interact. If they

are not satisfactorily solved, they will seriously hinder the further growth of economy. Therefore, as far back as in the 1970's, the ASEAN countries began to pay attention to these problems. In particular, the world economic crisis which lasted for several years from the end of the 1970's to the beginning of the 1980's and which had a serious impact on the economies of the ASEAN countries and caused them economic losses, made their governments further realize the weakness of their economies in relying too much on foreign market. Therefore, since the beginning of the 1980's, these governments have put forth policies of readjusting their economies. Judging by the guiding thoughts of most ASEAN countries on economic readjustment, this readjustment is centered on questions of how they are to overcome the serious dependence of the development of their economies on foreign markets and revise the policy of "export-g geared" economic development, switching to a policy of economic development that "attaches equal importance to exports and the expansion of the demands at home." This means that the readjustment is aimed at switching from the previous practice of relying mainly on developing the production of commodities for exports into the practice of relying mainly on developing the production of commodities for exports into the practice of continuing to strengthen the development of the production of commodities for export while paying attention to expanding demand at home and increasing the purchasing power of their people, thus promoting further economic development. This economic readjustment that has been put forth by the ASEAN countries basically conforms to the reality in these countries and is feasible. Of course it is unrealistic and also impossible for them to entirely eliminate their reliance on foreign markets. For it has been precisely by relying on foreign markets, in particular, the markets and of course the capital of major capitalist countries, the United States, Japan and Western European countries, that the ASEAN countries have developed their economies. Foreign markets will continue to be indispensable for the further development of these countries' economies because they are already inseparably linked with the capitalist economies of the world. A key issue is to strengthen the adaptability of their domestic economies to the frequent changes in foreign markets, to further increase the variety of export products and widen the market for exports, strengthen the economic mutual aid and cooperation between the countries in this area and thus present a united front to the external world. In this field, the ASEAN countries have accumulated a relatively great wealth of experience. Now they plan to adopt the policy of expanding demand at home and base their future economic growth on two legs, namely exports and the expansion of demand at home. This will lay a relatively sound foundation for future development of their national economies.

Of course, it is not easy to achieve this economic readjustment. They will encounter many difficulties and it will take time to achieve it. It seems that the 1980's will be a period in which the ASEAN countries will carry out economic readjustment; therefore, we cannot expect that in this period, they can achieve an economic growth rate as great as that achieved in the 1970's or in the 1960's. However, the ASEAN countries are developing capitalist countries whose economic development spans, at most, only 20 or 30 years; therefore, they still have great potential for further development. Moreover, they have accumulated experience for further development. As long as

they are able to implement the above-mentioned principle and policy of readjustment, judging by the medium- and long-term trend of development, we can foresee that, generally speaking, by the end of the 1980's or the beginning of the 1990's, they will again be able to achieve high growth rates. By the end of this century, the economic growth rate of the ASEAN countries should continue to rank high in the world.

CSO: 4006/145

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

SHIJIE JINGJI ON BULGARIAN PLANNING SYSTEM

HK261223 Beijing SHIJIE JINGJI in Chinese No 9, 10 Sep 84 pp 65-66

[Article by Cao Ying [2580 5391] of the World Economy and Politics Institute of the Chinese Academy of Social Sciences: "The Planning System of Bulgaria"]

[Text]

1

The current planning system in Bulgaria comprises state planning and responsive planning by economic organs. The former is centralized planning from above while the latter is decentralized planning from below. The two combine to carry out overall planned management of the national economy.

State planning is the major component part of unified planning. Its function is to ensure basic ratios and the necessary rate of growth of the national economy. Bulgaria believes that a socialist nation, as the owner of the property of the whole people, must firmly implement planned management. At the same time, it is also necessary to dispel and guard against the phenomenon of an overcentralized planning system. In accordance with this principle, it is first necessary to clearly set down the scope of state planned management. Thus Bulgaria has carried out discussion on this question. In the discussion, some advocated that state planning must manage the entire process of reproduction, including all resources. Others held that the state should only manage a small part, or the main part, of the process of reproduction, and that this management should not include all resources; there should be some leeway left. Practice has proven that if all original planning is handled by the state, production will inevitably be overcentralized and it will be difficult for the planning system to progress. If economic organs are not given some planning leeway, and a certain planning autonomy, then their initiative cannot be brought into play. The discussion has affirmed the latter position and has closed.

Now, state planning sets only very few mandatory planning targets. Previously, mandatory planning targets were all-embracing. However, through many reductions, the figure of 1,800 targets in the peak period has been reduced to 9. In agriculture, the original 250 targets have been reduced to 10. Of these, the first type are the targets for barter sales levels and overall profits for major products, in order to ensure a balance in the state's goods and materials and in state finances. The second type are the

targets for promoting the progress of science and technology and the utilization of results achieved. The third type are foreign exchange targets stipulated in regard to the further opening of the economy. The fourth type are limits placed on the supply of raw materials, energy, and machinery and equipment which is in short supply, stipulated on the basis of what the state is lacking and which resources are lacking. The other targets are planning information which is handed over to economic organs. They are not mandatory targets.

State planning has left some leeway in two respects. First, the large number of nonmandatory targets handed over to economic organs are decided on by the economic organs themselves. Second, the tasks for which mandatory targets are set are not all-embracing. For example, in barter targets, only barter target levels for selected major products are set. These targets do not cover all products, nor the total production of any product. Thus, apart from targets for major products and barter sales levels for major products, there is still leeway in other aspects.

Responsive planning is the other component part of unified planning. It includes state planning tasks, those tasks outside state plans, and those tasks which make use of the leeway allowed. This is to say, responsive planning must first guarantee the completion of state planning tasks, after which it can set down and complete tasks outside state plans. It can be seen that responsive planning includes a state plans component and a component comprising tasks which are outside state plans. As to the component comprising tasks which are outside state plans, this responsive planning is planning by the economic organs themselves. It does not require approval from above. It only needs to be passed by the collective management body of the economic organ (the worker's committee or the economic committee) before it goes into effect.

Democracy in planning is not restricted to the autonomy of responsive planning. The economic organs also have the authority to participate in the formulation of state plans. In accordance with regulations, the economic organs have the right to participate in all stages of the work to map out state plans. They can put forward ideas, particularly in regard to the task of undertaking state plans. When the ideas of an economic organ in regard to the carrying out of state plans diverge from those of the responsible bodies, the matter will be adjudicated by a higher-level planning organ. If the economic organ objects to the adjudication, it can appeal to the National Planning Commission (the National Planning Commission is a planning organ comprising the chairman and deputy chairman of the Council of Ministers and relevant people from departments and commissions. Its authority exceeds that of the State Planning Commission under the Council of Ministers). After this, the economic organ, with the assistance of the higher-level responsible departments, will exploit its natural resources and latent potential, or else the higher-level department can just assist in this regard. If, after strenuous effort, the requirements of the plan can still not be met, it will be necessary to adjust the plan. This stipulation changes the former system, whereby it was expected that an economic organ would just implement and fulfill a plan without participating at all in the formulation of state plans.

This planning system, which combines centralized planning from the top and decentralized planning from the bottom, is beneficial to the state planning organs' divorcing themselves from the situation in which they took on everything. It also allows them to concentrate on resolving the important problems of analysis, forecasting, basic ratios, and speed of development.

II

Improving the planning system makes new demands on preparatory work in the early stage of planning, planning methods, and planning forms. The current planning system stresses that it is necessary to do well in preparatory work in the early stage of planning. First, it is necessary to carry out forecasting, and national comparison and analysis. Next, on the basis of the three levels of state, departments, and districts, a comprehensive program of targets is formulated. After this it is possible to progress to working out long-, medium- and short-term plans.

In terms of planning methods, Bulgaria proposes giving up the dynamic method and utilizing the outline target method. The aim of this is to eliminate and prevent the subjective arbitrariness of planning and to increase its scientific nature. In the dynamic method, the point of departure in planning is not the final product needs of the society. It is the determining of speeds of development for selected leading departments on the basis of their past results. After this, overall national economic ratios and speeds of development can be deduced. In this, the roles of international, crosswise comparison and analysis, and of scientific and technical progress, are ignored. This type of planning lacks a scientific nature, and is unable to play the role of encouraging the advanced and spurring on the backward. Because speeds of development are fixed as a ratio of former results, those departments which have worked well and developed quickly end up undertaking the urgent planning tasks. On the other hand, those departments which have not worked well and have had slow growth often only get a few tasks to carry out. In the outline target method, the targets of planning are consumer-oriented. Consumption is taken as the point of departure for the plans, from which they are suited to the demands of socialist economic laws. Then reference is made to the forecasts, national comparisons and analyses, the progress of science and technology, and other conditions, which inevitably increases the scientific nature of the plans.

In terms of planning forms, Bulgaria has decided to use 5-year plans as the main form of planning. The 5-year plans will be further divided into annual plans to ensure that plans are implemented gradually and in stages. Formerly, although there were still 5-year plans, they were only rough documents. Year after year, annual plans were set and these plans were often out of line with the 5-year plan. Using the 5-year plan as a base and further dividing this into annual plans results in medium-term and short-term plans being closely related and forming an economic whole. The economic organs must complete their planned tasks, with tasks not completed in any one year being transferred to the following year. This is of great use in guaranteeing that planning is authoritative and in overcoming the former method of modifying plans because tasks were not completed.

In brief, in improving the planning system it is first required that the planning itself be scientific. Second, on this scientific base it will then be possible to ensure that planning is earnest and authoritative. This is why, in improving the planning system, it is important to do well in preparatory work in the early stage of planning and to improve planning methods and forms.

III

In improving the planning system, it is necessary to correctly handle the relationship between planning and economic contracts and the relationship between planning on the one hand and the relation between commodities and money on the other.

In regard to the relationship between planning and economic contracts, in the original planning system, the contracts followed the plans. However, because the planning had a subjective arbitrariness and lacked a scientific and strict nature, changes often occurred, causing the contracts to be subsequently invalidated. The present system stipulates that planning must use contracts as a base. Plans which cannot be fulfilled by contracts cannot be used. The relationship between these two has been turned around. Now, the contract is the basis of the plan and the plan is conditioned by the contract. The contracts have become guarantees for the completion of the plans. Now it is stressed that in punishing the party responsible for a contract, the punishment will not only be borne by an economic organ or other organ. The individual person responsible for the violation must be found and punished. This further increases the role of economic contracts.

As to the relationship between planning on the one hand and the relation between commodities and money on the other, and between planning and economic levers, Bulgaria believes that a planned economy is a superiority of socialism. The task of a socialist nation is to fully bring into play this superiority. Thus, as stated above, Bulgaria has, in the course of improving the planning system and overcoming the malady of overcentralization in the previous system, adopted a planning system whereby centralization and decentralization are combined. Economic laws, which include the law of value, the relation between commodities and money, and relevant economic levers are all objectively existing elements. When formulating plans, it is necessary to conscientiously conform to objective economic laws and when implementing plans, it is necessary to positively utilize commodity/money relations and the role of various economic levers.

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

JOURNAL ASSESSES MACAO'S ECONOMIC DEVELOPMENT

HK170556 Beijing XINHUA Hong Kong Service in Chinese 0808 GMT 15 Nov 84

[Report: "Macao's Economic Development Trend"]

[Text] Hong Kong, 15 Nov (XINHUA)--The latest issue of GANGAO JINGJI JIKAN (HONG KONG AND MACAO ECONOMIC QUARTERLY), published by the Hong Kong and Macao Administrative Office of the Bank of China, carries an article stating that "when we look at Macao's economic prospects in the coming winter and spring, we can see that the settlement of the question of Hong Kong and the gradual removal of unstable factors following the promulgation of the Sino-British joint declaration will also favorably affect Macao, which is in the vicinity of Hong Kong."

The article, which is entitled "Macao's Economic Development Trend," says: "Thanks to the U.S. economic recovery, increased West European market demand, and the stability of the exchange rate of the Hong Kong dollar, Macao's economic development this year has been better than last year. This has found expression in the vigorous development of the local export processing industry, the great expansion of import and export trade, the slight improvement in the property market, the increasing number of tourists visiting Macao, and the initially flourishing local market.

"The development of Macao's import and export trade has been gratifying and the increase in export trade has been even more conspicuous. The total import and export value in the first 8 months of this year reached 9,249 million patacas, an increase of 29.86 percent over the corresponding period last year. Of this, the total import value was 4,286 million patacas, an increase of 22.94 percent, and the total export value was 4,962 million patacas, an increase of 36.49 percent. The main reason for the large increase in exports is a notable increase in the sales of Macao products to the United States, reaching 1,603 million patacas in the first 8 months of this year, an increase of 65.95 percent."

When discussing the property market and tourism, the article says that the property market, which is still in the process of readjustment, has taken a partial turn for the better. In the first half of this year the market for medium- and low-priced residential apartments was relatively brisk, the market for industrial buildings also maintained the stable momentum of the

previous year, and the average utilization of capacity of construction workers was more than 60 percent, slightly better than the corresponding period of last year. Regarding tourism, the number of tourists visiting Macao has increased to some extent. In the first half of this year the number of tourists arriving from Hong Kong totaled 2,085,000 passenger-journeys, an increase of 8.63 percent over the corresponding period last year. Of this, Hong Kong tourists accounted for 1,730,000 passenger-journeys, an increase of 7.88 percent, and foreign tourists accounted for 355,000 passenger-journeys, an increase of 12.3 percent.

The article says that the local market is at once slack and brisk. "In the first half of this year, the volume of business for large quantities of commodities, particularly raw materials and semifinished products for the processing industry, such as fabrics, rabbit fur, rabbit hair yarn, plastic raw material, electronic components, and paper, was larger than the corresponding period of last year. Since the third quarter of this year, due to the high interest rates and the steady drop of the international commodity market since the end of May, the businessmen have taken a wait-and-see attitude. As a result, the volume of business of large quantities of commodities has not been as good as in the first half of this year. Although the price of consumer goods rose by 10 percent in the first half of this year compared with the corresponding period of last year, the market for articles of everyday use is steady but the sales of high-quality consumer goods are still sluggish."

The article says: "When we look at Macao's economic prospects in the coming winter and spring, we can see that the settlement of the question of Hong Kong and the gradual removal of unstable factors following the promulgation of the Sino-British joint declaration will also favorably affect Macao, which is in the vicinity of Hong Kong. At present the market investment mood in Macao has improved. The development of the entire economy spurred on by the export trade since the beginning of this year is likely to continue and the short-term interest rates will probably drop. All this is beneficial to industrial and commercial activities. It should be noted, however, that the process of improvement will be restricted to a certain extent by a slowdown in the Western economy next year and by trade protectionism and, at the same time, there will also be differences in the performance of different economic links. The main changes and trends will be as follows:

"First, the Western economy will slow down and this will probably reduce its favorable influence on Macao's economy and trade. The Western economy is currently improving and will not take a turn for the worse in the near future. However, the general trend is that its development will slow down. According to an estimate by the OECD, the economic growth of the Western industrialized countries next year will be 2.75 percent, which is lower than the estimated 4.25 percent growth for this year. It is estimated, therefore, that the favorable influence of the Western economy on Macao's economy and trade will probably be reduced next year. The export growth of Macao products, particularly textiles, will be lower next year than this year. This is chiefly due to a slower growth in the Western economy.

The tightening U.S. textile import controls is also a major negative factor. The United States recently revised its regulations on the place of origin for woolen knitwear and was reported to be planning to include silk and flax knitwear in the category of restricted import products or to raise the import duties for these products. This has deterred the merchants from replenishing their stocks temporarily, and orders received by Macao garment businessmen have been generally poor. The processing industry, such as toys, silk flowers, electronic components, and handbags, is relatively good and the shipment date for these commodities are planned for the first half of next year.

"Second, the property market will take a turn for the better. The current supply of apartments and other buildings still exceeds demand, and it will still take some time to clear the present glut. However, because the Sino-British agreement has succeeded in removing the misgivings of many people, the property market will probably develop normally again. In the future, following people's increased confidence in the Hong Kong dollar, the improvement of the market investment climate, and a lower interest rate, the property market will probably take a gradual turn for the better.

"Third, the number of tourists visiting Macao will increase. The coming winter and spring will be a busy tourist season for Macao. This is favorable to the development of Macao's tourism. The unfavorable factor is that with the addition of many new hotels built in recent years, hotel rooms have reached a saturation point. In addition to that, the strong appeal that Hong Kong, Zhuhai, Zhongshan, and other neighboring areas have on tourists have resulted in ordinary tourists shortening their stay in Macao. As a result, a situation in which more people visiting Macao does not bring much economic benefit will probably emerge in Macao's tourism.

"Fourth, the vitality of the local market will be reinforced slightly. Although the prices of consumer goods in the first half of this year rose by about 10 percent compared with the corresponding period last year, the social salary level this year has generally increased by more than 10 percent. Moreover, the coming winter and spring will also be another busy market season. It is estimated, therefore, that the market purchasing power will increase slightly. However, the inflation consequence resulting from the slump of the Hong Kong dollar in September last year, which has not been completely eliminated, will still considerably restrict the growth in purchasing power of the Macao residents."

CSO: 4006/145

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

RENMIN RIBAO REPORTS ON RURAL LIFE IN POLAND

HK150937 Beijing RENMIN RIBAO in Chinese 9 Nov 84 p 7

[Article by reporter Zhou Xiangguang [0719 6272 0342]: "Eyewitness Report on Rural Poland"]

[Text] There is a not so large hotel in Poznan. It is said that the good food provided by its restaurant has won a high reputation. Out of admiration for it we went there only to leave in disappointment. This was because there are limitations on the supply of meat, and therefore the restaurant is open only to travelers staying in the hotel. Meat is still in short supply in Poland, and is rationed. The Poles consume little grain, but meat has an important place in their diet. Therefore, to solve the problem in meat supply is to solve the major problem of food for the people.

In an interview, Polish Agricultural and Food Economy Vice Minister (Muweinarczyk) [1191 3306 4780 1422 1148 0344] pointed out: "The key to solving the meat problem lies in fodder. There is meat only when there is grain. However, in the latter part of the 1970's, policy ran counter to this, which finally led to a crisis. Now we have to import a large quantity of fodder every year." In order to change the situation, the Polish Government has adopted some reform measures in recent years. In May, the Polish National Assembly adopted the program for long-term agricultural development, and proposed the principle of "equal treatment without discrimination," directed at the characteristic of Polish agriculture with individual households in the main, and the coexistence of diversified economic factors, so as to bring into full play the roles of all forces in agriculture, to develop animal husbandry with grain production, and to strive to realize a balance in the import and export of agricultural produce by 1990 with some food surplus.

The reform is just in its initial stage, and the effects are to be tested by practice. However, when we were covering the rural areas of Poznan, state-run farms, agricultural cooperatives, and individual peasant households all expressed their welcome from different angles regarding reform, and production there was beginning to turn for the better.

We visited a combination enterprise under a state-run farm in the suburbs of Poznan, and the general manager of the enterprise briefed us, saying that

before Poland was liberated, this had been the manor of a Polish noble. The major portion of the land was distributed among the peasants after liberation, and the remainder of the land has been state-owned, and a state-run farm has been set up on it. Today, the state-run combination enterprise comprises 8 farms and 2 drying factories, with an area of 4,500 hectares and more than 500 workers and staff. This fortyish general manager and ex-veterinarian frankly admitted that for many years most state-run farms had been suffering from deficits, and his farm was no exception. According to him, two major causes have led to the situation: First, state-run farms must arrange their production in accordance with the mandatory plan of the state, they would have to implement the plan even if they knew it would involve deficits; second, welfare expenditures had been too great in the farms, which had exceeded the production growth rate, for instance, free rent and free supply of milk, while labor productivity was often lower than that of individual households. Now that reform has been carried out with the implementation of independence in production, assuming sole responsibility for profits or losses, and self-rule of enterprises, the state carries out its supervision over the enterprises through the bank, and the enterprises will make their own decisions from the production plan to wages and welfare. The enterprise now has decisionmaking power, and has streamlined its administration, changed the method of material stimulation, and arranged production according to market prices. This year, grain prices are high, while meat prices are on the low side, so they have made arrangements to produce more grain, in the end they have changed the long-term situation of suffering from deficits. However, in reference to the per unit of area output, state-run farms are still inferior to individual households.

Having left the state-run farm, the general agronomist of the farm accompanied us to visit an individual peasant household in the neighborhood. The host (Sopjinski) [4790 2528 3830 2448 1015] was thirtyish, a graduate from the agricultural school with a family of six. They have 16 hectares of land, 2 tractors, and all sorts of agricultural machines and implements. He is also raising 60 hogs and 7 milk cows. The house they live in is a two-story building, with a row of storerooms and a garage in the spacious backyard. Right outside his back door is his farmland. When the reporter asked him about his view on the current reform, he pondered a while and said: "The state now shows no discrimination against individual households in making agricultural loans." The agronomist sitting beside him added that the peasant had borrowed 200,000 zloty from the state to be repaid within 20 years, with which he built a 100 square meter pigsty; today this pigsty is worth 2 million zloty. At this, (Sopjinski) pleasantly smiled. He said: "Now the long-term existence of individual peasants is protected by law, and the existing policy of the state is favorable to us. However, people are not quite at ease with the future, because there have been many changes in history, and the older generation have the past still fresh in their minds."

In the afternoon, we came to an agricultural cooperative. The white-haired old chairman of the cooperative was wearing a pair of old-fashioned spectacles and an outmoded tie, and he was tanned, which showed that he had

been busy in the fields over long years. Upon seeing us, he said: "I am really sorry. Mine is not very much of an office. We have not built an office building, because we have spent the money on improving the living standards of the cooperative members." Why has this cooperative managed to continue to exist even though there have been many disturbances since it was founded in 1953? The old chairman said: "The peasants are very practical. They would not leave the cooperative because on the one hand the average income of the cooperative members is not lower than that of the individual households, and there has been a steady rise in the value of their workpoints; on the other, their labor intensity is not so strong as that of the individual households. In 1956 when there was a disturbance of withdrawing from the cooperative, only three households left our cooperative, among them two came back 4 years later." The animal husbandry specialist of the cooperative is a woman, who came to this cooperative right after her graduation from the Poznan Agricultural Institute, and she has been working in the cooperative for a decade now. She came into the office with a strong odor characteristic of the cowshed, and there were a few pieces of hay in her loose hair. Speaking of cows and sheep, she could give many figures without hesitation, and her enthusiasm for her work is impressive. Perhaps it is due to the spirit of working for the collective heart and soul of some leading cadres such as her and the old chairman that the cooperative is capable of standing the test of disturbances.

In the current reform, the cooperative has gone in for diversified management in a big way. Apart from agriculture and animal husbandry, the cooperative has also run a seasonal foodstuff processing factory, producing canned food with their own produce; and 60 able-bodied men are formed into a building team, they will take up building projects under contract in other places during the slack season, so as to increase the income of the cooperative members.

With the situation at home becoming more and more stable, voting rate of the peasants during the general election in summer 1984 was over 70 percent, which has shown that the majority of the peasants are supporting the current policy. With the good weather this year, the national gross grain output increased by 2 million tons over 1983, and the number of hogs in stock is beginning to increase. However, they still have a long way to go to accomplish the basic change for the better in the agricultural situation and to realize self-sufficiency in foodstuff.

CSO: 4006/145

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

SHIJIE JINGJI REPORTS ON PRICE REFORM IN HUNGARY

HK230915 Beijing SHIJIE JINGJI in Chinese No 9, 10 Sep 84 pp 54-55

[Article by Yan Pei [0917 0160] and Zhang Yu [1728 1342]: "Trends in Hungary's Price Reform"--excerpted by Min Pu [3046 0091] from the article "Several Questions in Hungary's Price Reform" carried in JOURNAL OF WUHAN UNIVERSITY No 3, 1983]

[Text] After the skyrocketing of the world's oil prices in 1973, a series of debates were conducted in Hungary concerning the problem of price reform. In the mid-1970's and the late 1970's, the Hungarian Government held that the price reform should continue so as to make the consumer price further approach the value, gradually reduce price subsidies, organically associate the domestic prices with the foreign trade prices, formulate a more flexible policy on exchange rates, strengthen the flexibility of prices, and expand the scope of free prices. This is the main content of the further reform of prices in Hungary, and is also the basic trend in Hungary's price reform.

In order that the domestic prices can be linked to the international prices, a system of "competitive prices" was practiced in Hungary in 1980. "Competitive prices" means the fixing of prices in a competitive manner. Its main content is: With regard to the domestic prices of energy resources and raw materials, their prices are to be determined on the basis of the cost of commodities imported from the non-ruble regions and they are to fluctuate with the fluctuation of the import prices; as for the domestic prices of those industrial goods processed in the country, their prices are to be determined on the basis of the international market prices of goods exported to the non-ruble regions and they are to fluctuate with the fluctuation of the selling prices abroad. This price system involves about 73 percent of the industrial production and about 40 percent of the entire social production.

In order to make the enterprises adopt the new price system smoothly, the Hungarian Government, while implementing the competitive price policy, has made extensive readjustments in taxation, financial subsidies, and other policies. For example, while raising the prices of energy resources and raw materials to a great extent, the government stopped the collection of assets tax and commercial tax, and reduced and readjusted some other items of taxes in a bid to balance the burden of the enterprises. The government

also decided that before 1985, it will still provide 10 to 15 percent of price subsidies and preferential prices to part of the enterprises, and it guaranteed that the enterprises minimum profits of 2 percent and 1 percent in 1980 and 1981 respectively. In October 1981, the Hungarian Government unified the trade and nontrade exchange rates, and it planned to enable the forint to gradually enjoy a certain degree of convertibility, which not only facilitated the expansion of foreign trade, but also helped implement the system of competitive prices.

The Hungarian Government holds that the results of practicing competitive prices are good. 1) With the implementation of the system of competitive prices, the prices of raw materials and processed products are linked with the international market prices. In practice, the level of prices on the international market is used as a criterion to assess the economic results of the enterprises in the country, thereby making the enterprises realize directly the genuine price ratio of the raw materials to the processed products, which in turn promotes saving of energy and raw materials and enhances the ability of enterprises in adapting themselves to changes in the international market and to the capabilities of competing products. 2) The readjustment of the productive structure is promoted and the blind growth in terms of investment and consumption is brought under control. The proportion of those products which consume a high level of energy and raw materials is lowered. All this helps to enhance the efficiency of the national economy and to maintain the balance of the national economy. 3) Exports are invigorated and imports are inhibited, which is beneficial to the balance of foreign trade. Consequently, with regard to the trade with the non-ruble regions, deficits were changed from over US\$1.6 billion in 1978 to small surpluses in 1980 and 1981; and the deficits in relation to the overall foreign trade were reduced from 57 billion forint in 1978 to just over 10 billion forint in 1981.

At the same time, there are still many difficulties in implementing the system of competitive prices in Hungary. 1) The continuous rise of the prices of energy and raw materials means a daily increase in the cost of production. Furthermore the technological level of Hungary's enterprises is comparatively lower than that of the developed capitalist countries, which places Hungary's products in an unfavorable position on the international market. In order to ensure the necessary exports, the government has to make more "exceptions" of its rules, or adopt special provisional regulatory measures. At the same time, because of the high cost in production and the losses sustained by the enterprises, the domestic prices of some products have to be set much higher than the export prices. In this way, it is possible that the past practice of universal subsidies may revive, or the domestic prices may have to dissociate themselves from the foreign trade prices. 2) The system of competitive prices has also led to some new social contradictions. Those enterprises and departments which have gained large profits demand a change in the rigid regulations concerning the distribution of profits and the regulation of wages, while enterprises sustaining losses demand that the state should provide guarantees for the livelihood of their staff and workers. 3) With the decrease in the subsidies by the state, the contradictions among the enterprises which

produce products with different price structures will become acute. This is because the production of products with free prices will gain more profits, while the production of products with fixed prices will gain less profits.

In recent years, Hungary has changed its view on "stable" prices. The view in the past that the commodity prices of a socialist country should be stable for a very long time and even reduced continuously is out of keeping with reality. In order to carry out reform, people should be guided to accept and to become accustomed to an economic life in which prices of commodities will rise to a certain extent every year. Hungary holds that under ordinary conditions, the speed of increase for wages should be greater than that for the commodity prices. However, in the last few years, because of its economic difficulties, Hungary has had to reduce the real income of its citizens. Under these circumstances, with reference to the historical experience, freezing wages will lead to more problems than raising commodity prices. Hence, Hungary resorts to the practice of raising wages less but enhancing commodity prices more.

CSO: 4006/145

BRIEFS

POSSIBLE BONDS DEBTS SETTLEMENT--In London, a leading bonds dealer says China may be willing to settle debts amounting to millions of pounds incurred by the old imperial government. It looks likely that Beijing will honor bonds sold by the country to British investors in the 1920's. The story from Tim Arnold: [Begin recording] [Arnold] The value of the stock sold by the old imperial government is more than 60 million pounds. The communists refused to honor the bonds after they took control of the country, but they are now keen to borrow money from the West, and London bonds dealer (Colin Knox) says he thinks they may be prepared to inspire confidence in the market by settling old debts, as other countries have done in the past. [Knox] Poland paid their debts with a reasonable settlement, so did Czechoslovakia, that was after the war. The Baltic states did, Latvia, Lithuania, Estonia. [Arnold] (Knox) says the alternative is for Beijing to buy back the old bonds by issuing new ones. [Text] [Hong Kong Commercial Radio in English 0430 GMT 24 Nov 84]

CSO: 4020/48

SINO-BRITISH AGREEMENT ENCOURAGES INVESTMENT IN HONG KONG

Hong Kong WEN WEI PO in Chinese 30 Sep 84 p 2

[Article: "British Companies Invest 200 Million Hong Kong Dollars in Banking and Realty in Hong Kong"]

[Text] After the signing of the Sino-British agreement on the Hong Kong question, some British companies have begun their investment plans for Hong Kong. Two of them have decided to make an initial investment of not less than 24 million pounds (HK\$220 million). These two companies are Gartmore Hong Kong and Britannia H.K. Performance [as published]. Peter Scott, director of international investment of the former, said that his company was prepared to invest 9 million pounds in Hong Kong, and that since the signing of the agreement, more and more funds have been channeled into the investment plans of this company for Hong Kong. He anticipates a high dividend of probably more than 20 percent.

?Bayard[Bai-li-da 4101 7789 6671], manager of Britannia, said that this agreement should be fully affirmed. She estimated that in the next several months, Hang Sheng's index will rise up to 1,150-1,200 points and anticipated that some international investors who had already withdrawn their funds out of Hong Kong may make their comeback. At present, this company has already invested 15 million pounds in Hong Kong's banking, realty agencies, and electronic industry. As to realty, more funds would be earmarked for those companies which are more concerned with the buildings of middle and lower price brackets.

9411

CSO: 4006/35

RAPID GROWTH OF HONG KONG'S IMPORT-EXPORT TRADE REPORTED

Beijing JINGJI RIBAO in Chinese 12 Sep 84 p 4

[Article: "Hong Kong's Import-Export Trade Rapidly Increasing"]

[Text] The export of Hong Kong products has increased fairly greatly since the 1960's. The average annual increase rate was 16.51 percent in the 1960's; 18.18 percent in the 1970's; and 16.9 percent in the first 4 years of the 1980's. The export value in 1983 exceeded that of the previous year by 25.7 percent and totaled HK\$104,405 million, an increase of 44.8 times over HK\$2,282 million in 1959. In the first half of 1984, it again increased by 45.1 percent over the same period of the previous year. The proportion of Hong Kong's domestic exports in its total export trade also increased from 10 percent in the early postwar period to 65.0 percent in 1983. Hong Kong's place in international imports and exports rose from 26th in 1949 to 15th in 1983 (not counting OPEC and the Council of Mutual Economic Assistance) and was only below Japan, South Korea, our Taiwan Province and our mainland, in Asia.

Hong Kong's foreign sales consist mainly of light industrial goods, of which the largest transactions were those of textile products and garments. However, because the restrictions on the import of garments and textile products are now stricter than before in Europe and America, their proportion in the export volume has declined while that of some new industrial products has risen.

Textile products and garments have all along occupied first place in Hong Kong's domestic exports, but their proportion has dropped repeatedly from 52.9 percent in 1959 to 39.7 percent in 1983, including a drop for garments from 34.8 percent in 1959 to 32.9 percent in 1983. Electronic products, clocks, and watches, being products of newly-emerging industries, have increased very rapidly since the mid-1970's, and the proportion of their exports has continued to increase. In 1983, the exports of these items rose to the second and third places respectively. In the same year, the export value of electronic products totaled HK\$18,532 million, 17.8 percent of the total export value. This was a big increase from 6.6 percent in 1968 and 15 percent in 1982. Among electronic products, the technology intensive products have increased more rapidly, and in 1983, the export of electronic

elements and computer accessories surpassed that of radios and ranked first among all exported electronic products. Digital control processors were first exported in 1980, and in 1983, they accounted for 3.3 percent of all exported electronic products. In 1983, the total export value of clocks and watches (including watch casings and metal watchbands) was HK\$8,566 million, an increase of 5.1 times over 1976, and its proportion in exports rose from 4.3 percent to 8.2 percent. Among them, the export value of electronic clocks and watches and their spare parts amounted to 68.5 percent of the total value. The exports of plastic products developed fairly slowly and their proportion in exports dropped from 12.3 percent in 1968 to 7.7 percent in 1983, being relegated from second to fourth place. In the 1950's and 1960's, plastic wares consisted mainly of plastic flowers, simple toys and household articles. In the 1970's, they were mostly toys which accounted for more than 70 percent of all exported plastic products.

The markets for Hong Kong's foreign sales are rather concentrated, and its increased reliance on the United States is obvious. Since 1959, the United States has been Hong Kong's biggest market, and the proportion of Hong Kong's domestic exports to this market increased from 24.7 percent in 1959 to 42.0 percent in 1983 (the highest proportion being 42.1 percent in 1969). England is the second largest market, but Hong Kong's exports to this country have continued to drop every year--from 19.2 percent in 1959 down to 8.2 percent in 1983, the lowest after the war. The Federal Republic of Germany is Hong Kong's third largest market, and the proportion of exports to this country rose from 3.2 percent in 1959 to 7.7 percent in 1983 (the highest proportion being 12.5 percent in 1975). In 1983, these three large markets combined to account for 57.9 percent of Hong Kong's domestic exports. Hong Kong's domestic exports to the mainland have increased rapidly in recent years. Among Hong Kong's export markets, the mainland rose from the 24th place in 1978 to the fourth in 1983, and the proportion of exports from Hong Kong rose from 0.2 percent to 6.0 percent in the same period. If Japan, Canada, Australia, Singapore, Holland and Switzerland are also counted, then the proportion of the 10 major markets combined will reach 79.5 percent. Although more concentrated in Europe and America, Hong Kong's exports to the Middle East, Central and South America, and Africa have also increased to a certain extent in recent years.

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CSO: 4306/35

HONG KONG'S ENTREPOT TRADE DEVELOPS RAPIDLY

Beijing JINGJI RIBAO in Chinese 12 Sep 84 p 4

[Article: "Hong Kong's Entrepot Trade Concentrated in Asian Region"]

[Text:] Hong Kong's entrepot trade increased by 10.40 percent in the 1960's; by 22.28 percent in the 1970's; by 24.49 percent in the first 4 years of the 1980's; and by 55.3 percent--a rapid increase--in the first half of 1984 over the same period of the previous year. The proportion of reexports in the total exports also increased from 30.4 percent in 1959 to 35.0 percent in 1983. In the past 3 years, Hong Kong surpassed Singapore in reexport value, calculated in terms of U.S. dollars. This shows the increasing importance of Hong Kong as an entrepot in the Asian and Pacific regions.

Aside from its status as a free port, its geographic advantages, advanced harbor facilities, efficient communications system and storage facilities, and well-developed sea and air transportation which links it with various parts of the world, Hong Kong's recovery as an entrepot also has something to do with the abolition of the system of "comprehensive source certificate" on 10 June 1971, the increased use of Hong Kong as an entrepot by the Western countries and our Taiwan Province for goods destined for the Asian and Pacific regions, and the rapid development of entrepot trade between Hong Kong and the mainland. Since 1978, in particular, as a result of our efforts to invigorate the economy at home and our policy of opening to the outside world, many countries in the world have made good use of Hong Kong as a means to develop their trade with China, thus increasing Hong Kong's entrepot trade by an even wider margin.

The major changes in Hong Kong's entrepot trade structure are as follows:

(1) The sources of commodities for reexports tend to concentrate in Asian region. Although these commodities come from more than 100 countries and regions, more than 70 percent of them, in terms of value, originate from 10 major sources. In 1969, the value of reexported goods from these 10 sources accounted for 74.9 percent of the total value; in 1979, 75.4 percent; and in 1983, more than 80 percent; that is, 81.7 percent, of which, 35.0 percent went to the mainland, which has all along occupied the first place; 20.7 percent to Japan; 10.7 percent to the United States; 4.6 percent

to Taiwan Province; 2.4 percent to South Korea; 2.2 percent to West Germany; 2.1 percent to Switzerland; and 4.2 percent to England, Malaysia and Singapore combined. Of these 10 major sources, six belonged to Asian region, a remarkable increase from only three (namely, the mainland, Japan and Taiwan Province) in 1968. This shows how the neighboring regions have expanded their trade by taking advantage of Hong Kong as an entrepot in recent years.

(2) The make-up of reexported goods from the mainland in recent years has changed from one with a combination of agricultural sideline products, native products and special products as the main feature to one in which light and textile industrial products predominate. In 1959, Hong Kong's reexported goods, classified by trades, consisted of grain, oil, tea, native products, animal products, native products and special products, all of which combined to account for 48.5 percent of Hong Kong's reexport value. Light and textile industrial products accounted for 25.6 percent, and petro-chemical and metal products, machinery and instruments all combined to account for 24.0 percent. In 1979, the proportion of agricultural sideline products, native products and special products was reduced to 33.2 percent, while that of light and textile industrial products was increased to 37 percent and that of machinery and instruments increased to 14.7 percent. In 1983, the proportion of light and textile industrial products was further increased to 43.9 percent; that of agricultural sideline products, native products and special products dropped to 24.6 percent; that of machinery and instruments increased to 18.4 percent; and petro-chemical and metal products accounted for 12.2 percent. Classified according to their uses, the reexported goods in 1983 were mostly raw materials and semifinished products, followed by consumer goods, production equipment, tourist articles and foodstuffs, in that order.

(3) Although the markets for reexported goods are still concentrated in Asian region, reexports to Europe and America have also developed to a certain extent, and very rapidly for the United States in particular in recent years. In 1959, of the total value of reexported goods from Hong Kong, 78.6 percent went to Asian markets. This is distinctly different from Hong Kong's domestic exports which were mostly destined for Europe and the United States. In recent years, because of the increased use of Hong Kong as an entrepot for goods destined for Europe and America, the proportion of Asian markets in the total reexport has slightly dropped. In the 1960's, it dropped below 70 percent for the first time, and further down to 65.5 percent in 1983. The European and American regions' proportions rose from 11.6 percent in 1959 to 22.0 percent in 1983, including a very rapid increase in the reexports to the United States, whose share rose from 2.7 percent in 1959 to 14.3 percent in 1983, surpassing that of the entire Western European region (6.5 percent). This indicates that Hong Kong has become the main entrepot in the Far East for reexporting to North America. Among the 10 major markets for its entrepot trade, Japan was the largest market for 12 consecutive years from 1968 to 1979. Since 1980, however, the mainland has occupied first place, while Japan was quickly relegated to sixth place. The 10 major entrepot trade markets in 1983 were in the following order: the

mainland (21.6 percent of the total reexport value), the United States (14.3 percent), Singapore (8 percent), Indonesia (6.9 percent), Taiwan Province (6.1 percent), Japan (5.6 percent), South Korea (4.3 percent), Macao (3.3 percent), Philippines (2.9 percent), and Saudi Arabia (2.4 percent). Eight of them were Asian countries and regions.

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CS0: 4006/35

HONG KONG ECONOMIC TRENDS

CATHAY PACIFIC AIRLINE PLANS NEW INVESTMENT IN HONG KONG

Hong Kong WEN WEI PO in Chinese 30 Sep 84 p 4

[Article: "Cathay Pacific Purchases New Aircraft and Engines at Total Cost of 1.1 Billion Hong Kong Dollars"]

[Text] Miles, president of Butterfield & Swire and Cathay Pacific Airline, reiterated yesterday that Cathay's base is in Hong Kong and will not be removed to another place. He also revealed the airline's plan of expansion and future development.

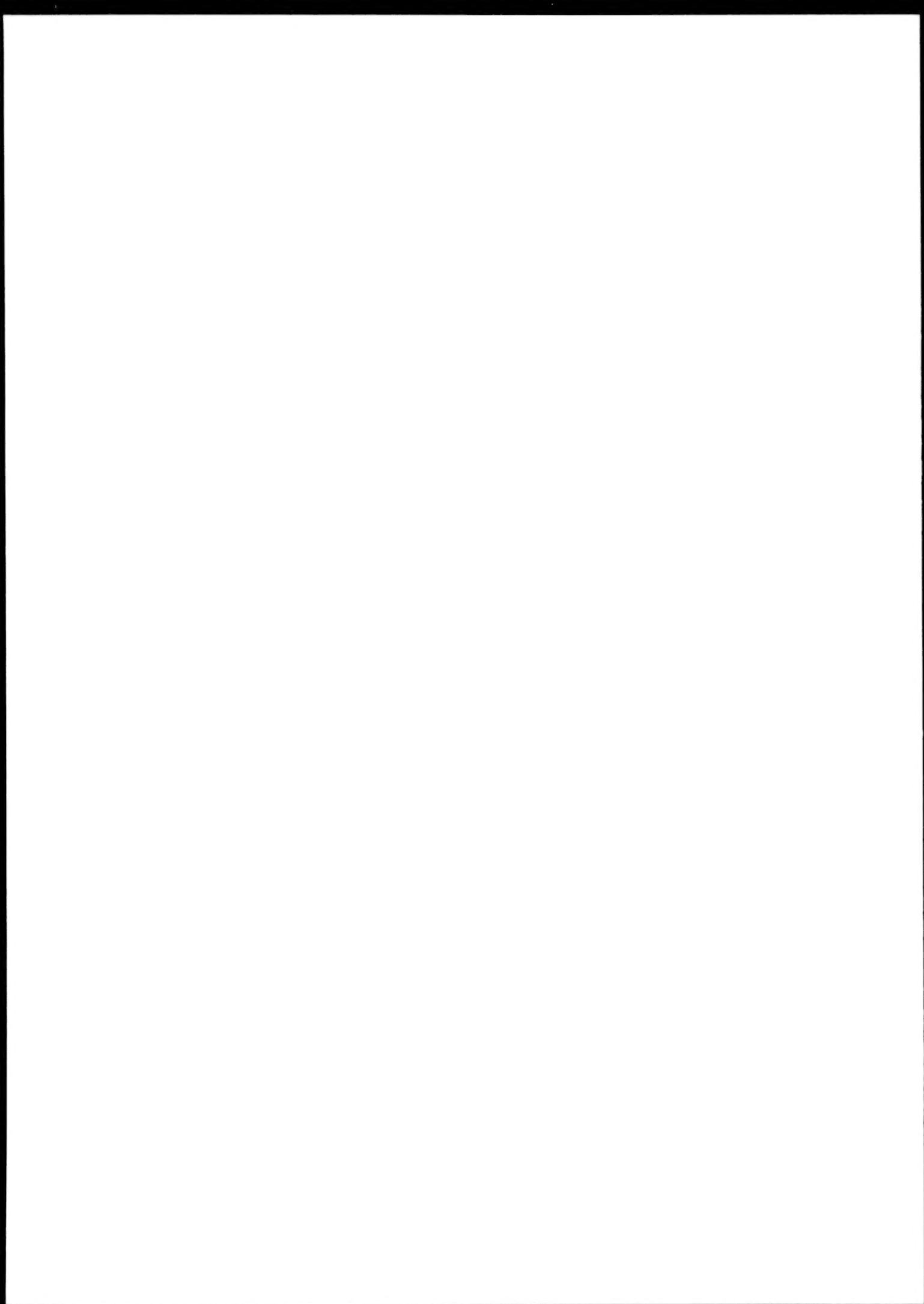
Miles made these remarks to a correspondent at a press reception yesterday. Commenting on the Sino-British "Joint Declaration," he expressed satisfaction with the section concerning aviation in an annex and believed that this agreement had laid the foundation for Hong Kong's aviation development from now to 1997 and thereafter.

Miles said that he was aware that the joint declaration made no reference to the question of changes in the rights of Cathay's shareholders. He told the correspondent that should circumstances require any change, Cathay will carefully handle this matter. Butterfield & Swire holds 70 percent of the shares with the remaining 30 percent owned by Hong Kong and Shanghai Banking Corporation.

He reiterated that Hong Kong is Cathay's sole base, and revealed Cathay's recent plans for expansion. For example, it has this year purchased one Boeing 747 costing HK\$700 million and recently signed an agreement with Rolls Royce for the supply of aircraft engines at a cost of \$500,000 (approximately HK\$400 million). Furthermore, the company is now considering the purchase of another Boeing 747-300, and will arrive at a decision in December.

As to the question of landing rights between now and 1997, Miles anticipated a graduate distribution of such rights in the transitional period instead of any abrupt change in 1997. He thought of the possibility that one more airline will be based in Hong Kong but pointed out that Hong Kong could hardly accommodate two airlines being based here at the same time.

Meanwhile, Cathay is planning to inaugurate its scheduled flights between Hong Kong and Johannesburg in South Africa; however, this may not materialize for 2 more years.



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